



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF GOBABIS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Gobabis for the financial year ended 30 June 2017, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, January 2019**

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE GOBABIS MUNICIPALITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**1. ADVERSE AUDIT OPINION**

I certify that I have audited the financial statements of the Gobabis Municipality for the financial year ended 30 June 2017. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of net asset and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the accompanying financial statements do not give a true and fair view of the financial position of the entity as at 30 June 2017, and of their financial performance and their cash flows for the year then ended.

**2. BASIS FOR ADVERSE OF AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion: adverse audit opinion is expressed due to the following:

- Fixed asset register does not contain full details of each asset;
- None disclosure of the value of undeveloped and developed land;
- The Municipality does not have a systematic method of measuring work in progress;
- Use of a periodic inventory system which is not supported by sufficient documentation;
- The Municipality does not have records of unsold water held in the water network;
- Electricity sales were understated by N\$ 2 678 628;
- No supporting documents were provided for prior year adjustments made through the accumulated surplus account;
- Reporting standards adopted are not applicable to public interest entities;
- Comparative columns on adoption of the not applicable standards were not presented;
- Sewer charges were understated by N\$ 2 312 584; and
- Sanitation charges were understated by N\$ 1 214 246.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<b>KEY AUDIT MATTER</b>	<b>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</b>
<b>3.1 CASH STOLEN</b>	
The Municipality lost N\$ 767 915 in cash. This cash was stolen through short banking.	The auditors did recalculation of cash received and banked. The auditors matched cash received and banked. The auditor used the report from the internal audit. The internal auditors reviewed the banking month by month for a two-year period. Junior staff who perpetrated this act were disciplined. The Municipality opened a police case at Gobabis police station.

### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with acceptable standards and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

## **6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit.

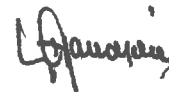
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**WINDHOEK, January 2019**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**MUNICIPALITY OF GOBABIS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2017 N\$	2016 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	92 193 220	82 738 907
Housing receivables	4	5 642 503	5 953 643
<b>Current assets</b>			
Inventories		4 663 971	3 838 886
Loans to employees	25	813 327	-
Trade and other receivables	3	25 195 156	19 984 685
Cash and cash equivalents	5	16 167 027	35 687 520
<b>TOTAL ASSETS</b>		<b>144 675 204</b>	<b>148 203 641</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Reserves		49 178 064	175 136 846
Retained income		71 546 810	(44 823 756)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Government loans	8	3 499 136	3 948 262
<b>Current liabilities</b>			
Trade and other payables	7	20 162 193	13 151 098
Government loans- current	8	289 001	791 191
Total liabilities		23 950 330	17 890 551
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>144 675 204</b>	<b>148 203 641</b>

**MUNICIPALITY OF GOBABIS**  
**STATEMENT OF COMPREHENSIVE INCOME**

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
Revenue	9	93 304 810	100 296 133
Other income	10	218 853	108 364
Operating expenses		<u>(111 028 154)</u>	<u>(110 579 759)</u>
<b>Operating loss</b>		<b>(17 504 491)</b>	<b>(10 175 262)</b>
Interest on accounts receivable	11	6 712 959	4 164 031
Finance costs		<u>(797 376)</u>	-
<b>Loss for the year</b>		<b>(11 588 908)</b>	<b>(6 011 231)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b><u>(11 588 908)</u></b>	<b><u>(6 011 231)</u></b>

## ANNEXURE C

**MUNICIPALITY OF GOBABIS  
STATEMENT OF CASH FLOWS**

	Note	<b>2017</b>	<b>2016</b>
		N\$	N\$
<b>Cash flows from operating activities</b>			
Cash (used in) generated from operations	12	(7 436 760)	13 753 638
Interest income		6 712 959	4 164 031
Finance costs		(797 376)	-
<b>Net cash from operating activities</b>		<b>(1 521 177)</b>	<b>17 917 669</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	2	(18 546 505)	(27 176 031)
Repayment received from loan debtors		311 140	1 175 381
Net interest earned on housing funds		-	536 557
<b>Net cash flow from investing activities</b>		<b>(18 235 365)</b>	<b>(25 464 093)</b>
<b>Cash flow from financing</b>			
Movement in government loans		(951 316)	(3 064 984)
Movement in loans to employees		(813 327)	-
Sales of land (ervens) direct to equity		4 217 016	-
Net interest income transferred to direct funds		247 830	(109 661)
Prior year errors adjusted directly to equity		(2 464 154)	-
<b>Net cash from financing activities</b>		<b>236 049</b>	<b>(3 174 645)</b>
<b>Total cash movement for the year</b>		<b>(19 520 493)</b>	<b>(10 721 069)</b>
Cash at the beginning of the year		35 687 520	46 408 589
<b>Total cash at the end of the year</b>	5	<b>16 167 027</b>	<b>35 687 520</b>

**MUNICIPALITY OF GOBABIS**  
**STATEMENT OF NET ASSETS**

	<b>Fixed property fund</b>	<b>Other funds</b>	<b>Capital outlay</b>	<b>Total res</b>
	N\$	N\$	N\$	N\$
<b>Balance at 01 July 2015</b>	<b>38 135 768</b>	<b>37 277 562</b>	<b>88 820 443</b>	<b>164 233</b>
Loss for the year	-	-	-	-
Contributions and other income direct to equity	9 405 536	733 069	-	10 138
<b>Total comprehensive loss for the year</b>	<b>9 405 536</b>	<b>733 069</b>	<b>-</b>	<b>10 138</b>
Transfers between reserves	-	168 046	-	168 046
Prior year errors	-	-	-	-
Alignment of IFRS AFS to audited AFS-Govt transfers	-	-	19 111 332	19 111
Alignment of IFRS AFS to audited AFS - Depn	-	-	(18 514 910)	(18 514)
<b>Total changes</b>	<b>-</b>	<b>168 046</b>	<b>596 422</b>	<b>76</b>
<b>Balance as at 01 July 2016</b>	<b>47 541 304</b>	<b>38 178 677</b>	<b>89 416 865</b>	<b>175 133</b>

**ANNEXURE D**

**MUNICIPALITY OF GOBABIS  
STATEMENT OF NET ASSETS (continued)**

	Fixed property fund	Other funds	Capital outlay	Total reserves	Retained income	Total equity
	N\$	N\$	N\$	N\$	N\$	N\$
Loss for the year	-	-	-	-	(11 588 908)	(11 588 908)
Reclassification and other income directly to equity	(14 786 886)	(21 586 985)	-	(36 373 871)	-	(36 373 871)
<b>Total comprehensive loss for the year</b>	<b>(14 786 886)</b>	<b>(21 586 985)</b>	<b>-</b>	<b>(36 373 871)</b>	<b>(11 588 908)</b>	<b>(47 962 779)</b>
Reclassification of funds to retained earnings	-	-	-	-	42 004 994	42 004 994
Transfers	-	(168 046)	-	(168 046)	168 046	-
Prior year errors	-	-	-	-	(3 630 431)	(3 630 431)
IFRS adoption reclassification	-	-	(89 416 865)	(89 416 865)	89 416 865	-
Total changes	-	(168 046)	(89 416 865)	(89 584 911)	127 959 474	38 374 563
<b>Balance at 30 June 2017</b>	<b>32 754 418</b>	<b>16 423 646</b>	<b>-</b>	<b>49 178 064</b>	<b>71 546 810</b>	<b>120 724 874</b>

**MUNICIPALITY OF GOBABIS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**ACCOUNTING POLICIES**

**General information**

Municipality of Gobabis is a tier 2 local authority (government sector) and incorporated under Local Authorities Act 23 of 1992 in line with Chapter 12 of Namibian Constitution and domiciled in Namibia.

**1. Basis of preparation and summary of significant accounting policies**

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Local Authorities Act No 23 of 1992. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in Namibia Dollar, rounded up to the nearest Namibian Dollar.

These accounting policies are consistent with the previous period.

**1.1 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure) that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing an asset and restoring the site on which it is located is also included in the cost of property, plant and equipment, when such dismantling, removal and restoration is obligatory.

Where an asset is acquired through donation, its costs are its fair value as at date of acquisition.

Where an asset is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and nonmonetary assets, the asset is initially measured at fair value (cost). If the acquired asset item's fair value was not determinable, it has deemed cost is the carrying amount of the asset given up.

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in the surplus or deficit when the compensation becomes receivable.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Buildings	Straight line	4-50
Infrastructure - Sewer	Straight line	10-50
Infrastructure - Electricity	Straight line	10-50
Infrastructure - roads	Straight line	10-50
Infrastructure - water	Straight line	10-50
Motor vehicles	Straight line	5
Furniture and fittings	Straight line	10
IT Equipment and related	Straight line	5
Office equipment	Straight line	5-10
Tools	Straight line	5

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

Land is not depreciated.

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in profit or loss.

Depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Depreciation is charged in full in the year the item of property, plant and equipment is capitalised and brought into use.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no future economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the asset is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

**MUNICIPALITY OF GOBABIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

**Incomplete construction work (asset under construction)**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

**1.2 Financial instruments**

**Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

Interest incurred or earned is recognised into surplus or deficit to extent it relates to municipal instruments.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.



**MUNICIPALITY OF GOBABIS****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1.3 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

**Operating leases - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.
- Any contingent rents are expensed in the period they are incurred.

**1.4 Inventories**

Inventories include those assets that are held for consumption and for provision of goods and services. Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

**1.5 Impairment of assets**

The municipality assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

**MUNICIPALITY OF GOBABIS****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in surplus or deficit.

**1.6 Internal reserves and funds**

The municipality established internal reserves in line with section 80 of the Local Authorities Act 23 of 1992.

**Fixed property reserve**

Established by municipality as a revolving fund to fund infrastructure development including development of new municipal areas. Contributions to the fund are by way of sales of ervens and qualifying government contributions.

Sales of land are recognised in the statement of surplus or deficit and subsequently transferred to the fund through the Statement of Changes in Net Assets to the reserve.

Time to time municipality receives government contributions for infrastructure development. Government contribution is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions, or obligations embodied in the funding agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Unconditional grants and receipts are recognised in the surplus or deficit upon receipt. Subsequently the funds recognised as revenue is transferred to fixed property reserve through the Statement of Changes in Net Assets.

**Other reserves**

Municipality has established other reserves such as sanitation reserves, to fund other municipality projects. Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to such reserve in line with the amount provided for in the operating budget.

All reserves are supported by investments held with financial institutions and to a certain extent with accounts receivable. Interest earned on the investments supporting up these funds is recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Fund.

**MUNICIPALITY OF GOBABIS****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1.7 Housing development fund**

The municipality has two housing development funds established under section 58(1) of Local Authority Act no 23 of 1992 which is read with S30 of the same act. These funds were established to provide funding to low income earners, within the municipal area, for the purpose of housing development. The terms require separate operating accounts to be maintained by the municipality i.e. each fund to have separate bank account or investments and must be backed by cash and receivable.

Interest earned (and impairment on loan receivables) on the investments and loan receivable supporting up these funds is recorded as interest earned and impairment in surplus or deficit for the year. Interest earned (net of impairment of receivables) is transferred via the Statement of Changes in Net Assets to the two-housing development fund.

**1.8 Employee benefits****Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. These contributions are paid to Retirement Fund of Local Authorities and Utility Services in Namibia, which manages the funds on behalf of the employees in with Pension Funds Act, No 24 of 1956.

**1.9 Provisions and contingencies**

Provisions are recognised when the municipality has an obligation at the reporting date as a result of a past event; it is probable that the municipality will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate (municipality is not subject to income tax) that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

**MUNICIPALITY OF GOBABIS****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1.10 Government grants**

Grants that do not impose specified future performance conditions are recognised in surplus or loss when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

**1.11 Revenue**

Revenue is recognised to the extent that the municipality has transferred significant risks and rewards of ownership of goods to the buyer or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the municipality. Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax and discounts received.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred. Municipality incurs borrowing costs (finance cost) from Government loans only.

**1.13 Site preparation and restoration cost**

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as “rehabilitation provisions”. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

**MUNICIPALITY OF GOBABIS****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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(a) subject to (b), changes in a liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

**MUNICIPALITY OF GOBABIS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. PROPERTY PLANT AND EQUIPMENT**

	2017		2016		
	COST N\$	ACMLT'D DEPN N\$	CARRYING VALUE N\$	ACMLT'D DEPN N\$	CARRYING VALUE N\$
General Capital Assets	70 604 120	(17 110 656)	53 493 464	(11 568 326)	49 286 515
Loan Assets	34 535 203	(8 731 196)	25 804 007	(5 667 888)	28 867 315
Income Assets	6 306 314	(1 765 250)	4 541 064	(1 278 696)	4 585 077
Capital Work in progress	8 354 685	-	8 354 685	-	-
<b>TOTAL</b>	<b>119 800 322</b>	<b>(27 607 102)</b>	<b>92 193 220</b>	<b>(18 514 910)</b>	<b>82 738 907</b>

**MUNICIPALITY OF GOBABIS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT - 2017**

	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
	N\$	N\$	N\$	N\$
General Capital Assets	49 286 515	9 749 279	(5 542 330)	53 493 464
Loan Assets	28 867 315	-	(3 063 308)	25 804 007
Income Assets	4 585 077	442 541	(486 554)	4 541 064
Capital Work in progress	-	8 354 685	-	8 354 685
	<b>82 738 907</b>	<b>18 546 505</b>	<b>(9 092 192)</b>	<b>92 193 220</b>

**RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT - 2016**

	OPENING BALANCE	ADDITION	DEPRECIATION	TOTAL
General Capital Assets	37 888 336	22 966 505	(11 568 326)	49 286 515
Loan Assets	30 325 677	4 209 526	(5 667 888)	28 867 315
Income Assets	5 863 773	-	(1 278 696)	4 585 077
	<b>74 077 786</b>	<b>27 176 031</b>	<b>(18 514 910)</b>	<b>82 738 907</b>

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	N\$	N\$
<b>3 TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	15 182 766	11 699 968
Employee Costs in Advance	33 299	-
VAT.	5 195 484	2 755 187
Sundry Receivable	881 324	625 063
Other Loan Receivable	3 902 283	4 904 467
	<b>25 195 156</b>	<b>19 984 685</b>
<b>IMPAIRMENT OF TRADE RECEIVABLES</b>	<b>(39 387 742)</b>	<b>(35 479 778)</b>

Trade receivables are presented net of impairment

The municipality considers accounts receivable to be impaired when they are outstanding for 120 days and more. Therefore, a 100% allowance for credit losses (provision for bad debts) is provided for all account receivables outstanding for 120 days. However, no provision for impairment is made for accounts receivable relating to government departments/ministries, as government will always honour its dues.

**Trade and other receivables pledged as security**

There are no trade and other receivables pledged as security

	2017	2016
	N\$	N\$
<b>4 HOUSING RECEIVABLES</b>		
<b>Housing loan receivables</b>		
Housing funds loans	115 240	7 028 628
Build together loan debtors	1 373 572	-
Build together loans	1 930 174	-
Mapange loan debtors	1 260 720	-
Smallingerland debtors	1 915 001	-
Mapange loans	391 033	-
Provision for bad debts - Build together	(1 343 237)	(1 074 985)
	<b>5 642 503</b>	<b>5 953 643</b>



**MUNICIPALITY OF GOBABIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>5 CASH AND CASH EQUIVALENTS</b>		
Cash and Cash equivalents consist of:		
Cash on hand	460	460
Bank Balances	1 307 488	3 579 210
Short term investments with financial institutions - Sm/land	2 134 909	1 706 689
Short term investments with financial institutions - General	9 882 122	26 425 059
Short term investments with financial institutions - B/Together	2 842 048	3 976 102
	<b>16 167 027</b>	<b>35 687 520</b>
<b>6 OTHER COUNCIL FUNDS</b>		
Renewal fund	-	2 197 084
Grant/Donation	1 905	-
Study loan reserve fund	534 152	-
Housing fund	80 100	3 220 187
Tariff stabilisation fund	384 863	-
Sanitation revolving fund	204 337	-
Smallerland fund	9 088 822	8 692 302
Build together fund	6 129 467	6 230 224
Betterment fund	-	1 121 642
Capital reserve fund	-	16 717 238
	<b>16 423 646</b>	<b>38 178 677</b>

During the year municipality wrote off reserves, to accumulated surplus or loss, which were not supported by financial investments in order to align the funds to the actual investments held with financial institutions and loan receivables.

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	N\$	N\$
<b>7 TRADE AND OTHER PAYABLES</b>		
Trade payables	7 752 506	6 673 389
Amounts received in advance	136 391	117 118
Credit balances of trade receivables	1 261 973	-
Accrued leave and severance	8 698 486	3 138 937
Suspense	173 774	505 215
Salaries creditors	300	1 075 424
Deposits received	2 138 763	1 641 015
	<b>20 162 193</b>	<b>13 151 098</b>
<b>8 GOVERNMENT LOANS</b>		
Government loan - non-current	3 499 136	3 948 262
Government loan - current	289 001	791 191
	<b>3 788 137</b>	<b>4 739 453</b>
<b>9 REVENUE</b>		
Government grants	7 639 907	20 658 332
Sanitation charges	7 316 945	5 241 478
Sewage charges	4 232 143	4 003 553
Rates and taxes	13 709 007	13 044 357
Sale of electricity	41 774 452	39 756 833
Rental income	2 317 590	2 548 993
Sale of water	14 935 543	14 029 371
Miscellaneous other revenue	3 137 970	2 163 194
Less Inter-departmental charges	(1 758 747)	(1 149 978)
	<b>93 304 810</b>	<b>100 296 133</b>
<b>10 OTHER INCOME</b>		
Rental income	112 446	28 211
Debt collection lawyers' fees recoveries	106 407	80 153
	<b>218 853</b>	<b>108 364</b>

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	N\$	N\$
<b>11 INVESTMENT INCOME</b>		
Interest income	999 730	126 599
Interest charged on trade and other receivables	5 713 229	4 037 432
	<b>6 712 959</b>	<b>4 164 031</b>
<b>12 CASH (USED IN) GENERATED FROM OPERATIONS</b>		
Loss before taxation	(11 588 908)	(6 011 231)
Adjustments for:		
Depreciation and amortisation	9 092 192	18 514 910
Interest received	(6 712 959)	(4 164 031)
Finance cost	797 376	-
<b>CHANGES IN WORKING CAPITAL:</b>		
Inventories	(825 085)	614 356
Trade and other receivables	(5 210 471)	(797 413)
Trade and other payables	7 011 095	5 597 047
	<b>(7 436 760)</b>	<b>13 753 638</b>

**First-time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities.**

The municipality has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2017-year end. On principle, this standard has been applied retrospectively and the 2016 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 30 June 2016. The standard gives certain mandatory exemptions from this principle, and certain optional exemptions, which have been detailed below. All adjustments were made to the opening comparative statement of financial position. The date of transition was 01 July 2016 and the effect of the transition was as follows.

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>2017</u>	<u>2016</u>
	N\$	N\$
<b>13 RELATED PARTIES</b>		
Relationships		
Government and all its departments		
Retirement Fund for Local Authorities and Utility services in Namibia		
<b>14 PRIOR PERIOD ERRORS</b>		
Due to some administration restrictions, Office of the Auditor-General does not permit the restatement of prior periods as result of prior period errors. Therefore, errors and misstatements identified during audits are only corrected the following financial year through a direct entry to the accumulated surplus or deficit.		
<b>The correction of the error(s) results in adjustments as follows:</b>		
<b>Statement of Financial Position</b>		
Opening retained earnings	<u>4 268 591</u>	<u>4 638 505</u>

**MUNICIPALITY OF GOBABIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. CATEGORY OF FINANCIAL INSTRUMENTS**

	Note	Debt instrument at amortised cost	Financial liabilities at amortised cost	Income received in advance	Equity and non- financial assets and liabilities	Total
		N\$	N\$	N\$	N\$	N\$
<b>Categories of financial instruments - 2017</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Property plant and equipment	2	-	-	-	92 193 220	92 193 220
Housing receivables	4	-	-	-	5 642 503	5 642 503
		-	-	-	<b>97 835 723</b>	<b>97 835 723</b>
<b>Current assets</b>						
Inventories		-	-	-	4 663 971	4 663 971
Loans to employees	25	813 327	-	-	-	813 327
Trade and other receivables	3	19 966 373	-	-	5 228 783	25 195 156
Cash and cash equivalents	5	16 167 027	-	-	-	16 167 027
		<b>36 946 727</b>	-	-	<b>9 892 754</b>	<b>46 839 481</b>
<b>TOTAL ASSETS</b>		<b>36 946 727</b>	-	-	<b>107 728 477</b>	<b>144 675 204</b>

ANNEXURE E

**MUNICIPALITY OF GOBABIS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	Note	Debt instrument at amortised cost	Financial liabilities at amortised cost	Income received in advance	Equity and non-financial assets and liabilities	Total
		N\$	N\$	N\$	N\$	N\$
<b>EQUITY</b>						
Equity attributable to equity holders of the parent						
Reserves		-	-	-	49 178 064	49 178 064
Accumulated profit		-	-	-	71 546 810	71 546 810
<b>TOTAL EQUITY</b>		-	-	-	<b>120 724 874</b>	<b>120 724 874</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Government loans	8	-	-	-	<b>3 499 136</b>	<b>3 499 136</b>
<b>Current liabilities</b>						
Trade and other payables	7	-	20 298 584	(136 391)	-	20 162 193
Government loans	8	-	-	-	289 001	289 001
		-	<b>20 298 584</b>	<b>(136 391)</b>	<b>289 001</b>	<b>20 451 194</b>
<b>TOTAL LIABILITIES</b>		-	<b>20 298 584</b>	<b>(136 391)</b>	<b>3 788 137</b>	<b>23 950 330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		-	<b>20 298 584</b>	<b>(136 391)</b>	<b>124 513 011</b>	<b>144 675 204</b>

**ANNEXURE E**

**MUNICIPALITY OF GOBABIS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	Debt instrument at amortised cost	Financial liabilities at amortised cost	Income received in advance	Equity and non-financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$
<b>Categories of financial instruments - 2016</b>					
<b>Non-current assets</b>					
Property plant and equipment	2	-	-	82 738 907	82 738 907
Housing receivables	4	-	-	5 953 643	5 953 643
		-	-	<b>88 692 550</b>	<b>88 692 550</b>
<b>Current assets</b>					
Inventories		-	-	3 838 886	3 838 886
Trade and other receivables	3	17 229 498	-	2 755 187	19 984 685
Cash and cash equivalents	5	35 687 520	-	-	35 687 520
		<b>52 917 018</b>	-	<b>6 594 073</b>	<b>59 511 091</b>
<b>TOTAL ASSETS</b>		<b>52 917 018</b>	-	<b>95 286 623</b>	<b>148 203 641</b>

**ANNEXURE E**

**MUNICIPALITY OF GOBABIS**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	Debt instrument at amortised cost N\$	Financial liabilities at amortised cost N\$	Income received in advance N\$	Equity and non-financial assets and liabilities N\$	Total N\$
Note					
<b>EQUITY</b>					
Equity attributable to equity holders of the parent					
Reserves	-	-	-	175 136 846	175 136 846
Accumulated profit	-	-	-	(44 823 756)	(44 823 756)
<b>TOTAL EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130 313 090</b>	<b>130 313 090</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Government loans	-	-	-	<b>3 948 262</b>	<b>3 948 262</b>
<b>Current liabilities</b>					
Trade and other payables	-	13 268 216	(117 118)	-	13 151 098
Government loans	-	-	-	791 191	791 191
	-	13 268 216	(117 118)	791 191	13 942 289
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>13 268 216</b>	<b>(117 118)</b>	<b>4 739 453</b>	<b>17 890 551</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>-</b>	<b>13 268 216</b>	<b>(117 118)</b>	<b>135 052 543</b>	<b>148 203 641</b>



**MUNICIPALITY OF GOBABIS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**16 Events after the reporting period**

The financial statements were authorised for issue on 20 November 2017 by the accounting officer of the municipality

**17 Fruitless unauthorised expenditure**

There were no fruitless and unauthorised expenses incurred during year under review

**18 Approval of excess expenditure**

All excess expenditure, where applicable, was approved by the Council.

**19 Revenue written off**

No revenue was written off during the year under review.

**20 Bursaries**

No bursaries were granted or paid during the year under review.

**21 Transfer of property from/to government**

Transfer of property to Government

There was no transfer of property to the Government during the year under review.

**Transfer of property by Government to Local Authority**

There was no transfer of property by Government to the Municipality during the year under review.

**Transfer of property to/from other than Government**

There are no such transfers.

**Donations and Gifts by the Local Authority**

**Donations**

The following approved donations were made during the year:

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	N\$	N\$
<b>Nature of donations or gifts and Beneficiary:</b>		
Christmas lunch: Old age home	40 832	-
Cash: Gobabis gymnasium school	1 000	-
Ben Van der Walt Primary School	1 000	-
Gobabis Primary School	1 000	-
Nossobville Primary School	1 000	-
	<b>44 832</b>	<b>-</b>
<b>Free Services</b>		
No free services were provided during the year.		
<b>22 Irregularities and losses</b>		
<b>23 Contributions, grants, financial aid by the Local Authority</b>		
There were no contributions/grants or financial aid made by the local authority during the year.		
<b>24 Compensation payments</b>		
There were no compensation payments made during the year under review.		
<b>Visits to foreign countries</b>		
The following foreign trips were undertaken by the Municipality employees:		
<b>COUNTRY</b>		
South Africa	10 439	-
China	14 100	-
	<b>24 539</b>	<b>-</b>
<b>25 Loans to employees</b>		
Advances during the year	<b>813 327</b>	<b>-</b>

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The loans to employees bear no interest at, are not secured and are repayable over agreed years between the Municipality and the employee concerned. The loans consist of personal loans, study loans and motor vehicle loans. No loan to staff members was written off or suspended during the year under review.

**26 Motor vehicle loans to staff**

The following are balances of motor vehicle loans advanced to staff members:

**26.1 Loans**

Employee motor vehicle loans	<u>173 488</u>	<u>267 966</u>
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**27 Housing loans to staff**

There are no housing loans advanced to staff members

**28. Private work approved**

To the knowledge of the Council there was no private work done by council employees.

**29 Tariff adjustments**

Tariff adjustments are reflected in the official Government Gazette

**30 Sale of ervens (land)****Fund**

Fixed property fund	<u>4 217 016</u>	<u>3 385 888</u>
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**31 Local authority property sold on an instalments basis**

There is no property sold on instalment basis

**32 Securities**

There are no securities held by the Municipality.

**MUNICIPALITY OF GOBABIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<u>2017</u>	<u>2016</u>
	N\$	N\$
<b>33 Assessment rates</b>		
<b>Details</b>		
Net proceeds from assessment rates	<u>13 709 007</u>	<u>13 044 357</u>
<b>Residential</b>		
Tariffs per N\$1 valuation per annum - Site valuation:	0.085972	0.081879
Tariffs per N\$1 valuation per annum - Improvements:	0.01485	0.014143
<b>Business/Institutions/Industries</b>		
Tariffs per N\$1 valuation per annum - Site valuation:	0.13723	0.1055621
Tariffs per N\$1 valuation per annum - Improvements:	0.0237032	0.0182332
<b>34 Subsidies from Government</b>		
Municipality received the following transfers from government:		
Fund/project name		
TIPPEG	<u>5 998 994</u>	<u>19 111 332</u>
<b>35 HIV/AIDS programmes</b>		
There is no such programme in place.		
<b>36 Risk management</b>		
There is no such programme in place.		
<b>37 Internal audit and audit committee</b>		
There is no internal audit function in place.		
<b>38 Environmental matters</b>		
There is no programme that deals with environmental matters in place.		
<b>39 Capital projects</b>		
The following are capital projects undertaking during 2017 financial year:		

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Description of project	Financed by general capital	Financed by internal sources	Total expenditure
	N\$	N\$	N\$
Infrastructure: sewerage	5 363 333	-	5 363 333
Infrastructure: Water	3 596 529	-	3 596 529
Infrastructure: Electricity	570 779	-	570 779
IT Equipment	445 637	297 494	743 131
	<b>9 976 278</b>	<b>297 494</b>	<b>10 273 772</b>

The following are capital projects undertaken during 2016 financial year:

Description of project	Financed by general capital	Financed by internal sources	Total expenditure
	N\$	N\$	N\$
Infrastructure: cemetery	-	417 081	417 081
Infrastructure: sewerage	12 784 059	-	12 784 059
Town treasurer	-	322 045	322 045
Infrastructure: Roads	-	3 470 400	3 470 400
Infrastructure: Water	2 515 632	-	2 515 632
Infrastructure: Electricity	7 666 814	-	7 666 814
	<b>22 966 505</b>	<b>4 209 526</b>	<b>27 176 031</b>

## DETAILED INCOME STATEMENT

Revenue		
Government grants	7 639 907	20 658 332
Sanitation charges	7 316 945	5 241 478
Sewerage charges	4 232 143	4 003 553
Rates and taxes	13 709 007	13 044 357
Sale of electricity	41 774 452	39 756 833
Rental income	2 317 590	2 548 993
Sale of water	14 935 543	14 029 371
Miscellaneous other revenue	3 137 970	2 163 194
Inter-departmental charges	(1 758 747)	(1 149 978)
	<b>93 304 810</b>	<b>100 296 133</b>

## MUNICIPALITY OF GOBABIS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>Other Income</b>		
Rental Income	112 446	28 211
Recoveries	106 407	80 153
Interest received	6 712 959	4 164 031
	<b>6 931 812</b>	<b>4 272 395</b>
Expenses (Refer to page 35.)	<b>(111 028 154)</b>	<b>(110 579 59)</b>
Operating loss	(10 791 532)	6 011 231
Finance cost	(797 376)	-
Deficit for the year	<b>(11 588 908)</b>	<b>6 011 231</b>

**MUNICIPALITY OF GOBABIS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>Operating expenses</b>		
Administration and management fees	5 169 000	6 321 762
Advertising	72 730	111 837
Bank charges	239 913	154 624
Consulting and professional fees	145 704	95 414
Depreciation, amortisation and impairment	9 092 192	18 514 910
Employee costs	35 951 910	31 265 919
Entertainment	91 255	79 420
Electricity purchases	39 021 566	39 021 566
Water purchases	13 999 576	13 999 576
Hire	166 095	166 095
Insurance	313 252	313 252
Legal expenses	237 490	237 490
Levies paid to Regional Council	141 145	141 145
Motor vehicle expenses	450 291	450 178
Petrol and oil	810 178	810 178
Postage	87 531	87 531
Printing and stationery	111 564	111 564
Protective clothing	58 510	58 510
Repairs and maintenance	4 033 088	4 033 088
Telephone and fax	380 096	380 096
Transport and freight	59 827	59 827
Travel - local	366 842	366 842
Travel - overseas	28 399	28 399
	<b>111 028 154</b>	<b>116 809 223</b>

