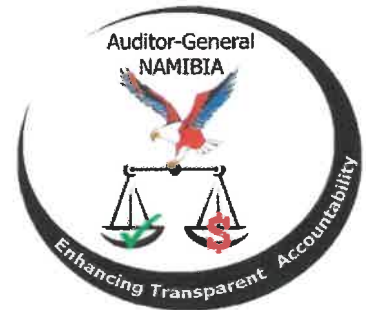




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF HENTIES BAY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

Published by authority

Price (Vat excluded) N\$ 73.00

Report no: 48/2025



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Henties Bay for the financial year ended 30 June 2023 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honorable 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, April 2025

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
MUNICIPALITY OF HENTIES BAY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Municipality of Henties Bay for the financial year ended 30 June 2023. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows for the year that ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis of Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Municipality of Henties Bay for the financial year ended 30 June 2023 and its financial performance for the year ended.

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audits Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the audit 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. The adverse audit opinion is expressed due to the following:

2.1 Cash and cash equivalent

The Municipality has recognized an amount of N\$ 4 424 115 as a bank overdraft under current liabilities in the statement of financial position which represents the total cashbook balance as of 30 June 2023, before adding outstanding payments totaling N\$ 5 849 126 to reconcile to an actual bank balance of N\$ 1 425 011. This does not comply with IPSAS 1 with regard to the presentation of the bank balances. Thus, the cash book balance and creditors were understated by N\$ 5 849 126 as these invoices were processed while no actual payments were made, instead of processing the invoices to the corresponding creditors accounts.

Furthermore, based on bank confirmation obtained, auditors noted that the Municipality held bank accounts totaling to N\$ 1 446 664 at year end however, the Council did not prepare a note in the financial statements to disclose these bank accounts.

2.3 Cash flow statement

The year-end cash and cash equivalents balance of N\$ 2 991 443 in the cash flow statements includes an amount of N\$ 4 424 115, which is not an actual overdraft, but rather the cashbook closing balance as of 30 June 2023. This balance does not account for outstanding amount totaling to N\$ 5 849 126, which when added together, result in a reconciled total bank balance of 1 425 011.

2.4 Open land (un-serviced land)

According to the Public Sector Conceptual Framework, the Municipality must recognize a resources as an asset if it meets the definition of an asset and satisfies the recognition criteria. The Council owns open land however, this land is neither accounted for nor disclosed in the financial statements for the year under review. Additionally, no valuation certificates for the open land were obtained from the Municipality, therefore auditors were unable to confirm that properties, plant and equipment are fairly stated.

2.5 Provision for dumpsites

The Council did not recognize the provision with regards to the landfill operations in the financial statements. In terms of the requirements of IPSAS 45, the Council should capitalize the cost associated with constructing or acquiring dumpsites and recognize them as infrastructure assets. By applying these standards, the Council can ensure accurate and transparent financial reporting of dumpsite as well as provisions and related infrastructure assets which is highlighted by IPSAS 19, which guides the accounting treatment of landfill operations and site remediation closure costs.

2.6 Incorrect classification of Work In Progress (WIP)

It was observed that certain infrastructure assets amounting to N\$ 1 846 609 were still classified under the work in progress (WIP) category and had depreciation charges applied despite being completed. It was further noted that infrastructure with different useful lives categories of 20, 15 and 10 years were placed in the same class.

2.7 Revenue

The auditors were unable to obtain reasonable assurance regarding the completeness and existence of rates and taxes totaling to N\$ 20 405 904. In the selected sample, some properties could not be traced to the valuation roll as the document provided were incomplete and did not include all ratable properties.

2.8 Budget Vs Actual Statement

The Municipality presented a comparison of budget and actual amount as a separate additional financial statement, which does not comply with IPSAS 1, paragraph 24. IPSAS 1, requires that the comparison be included either as an additional budget column in the existing financial statements, or as a separate note disclosure. Additionally, this comparison should separately show the original and

final budget, amounts the actual amounts on a comparable basis and provide explanations for material variances, unless referenced in other public documents.

2.9 PAYE return

It was observed that the Municipality did not submit all PAYE returns within the required timeframe. PAYE returns totaling N\$ 1 812 935 remain unpaid for some months. It was indicated that the Municipality had arranged to offset the unpaid PAYE balance against VAT receivables. However, this arrangement lacks legal basis as the VAT audit has not yet been conducted to confirm the amount owed to the Municipality. Additionally, the outstanding PAYE balance of N\$ 1 812 935 was not disclosed as a payable at year-end.

2.10 Receivable from exchange transactions

The Council reported a debt recovery amounting to N\$ 6 163 000, however, at the time of the audit sufficient evidence to substantiate the recovered amount could not be obtained.

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. I have determined that there are no key audit matters identified in respect of the financial statements for the Municipality of Henties Bay.

4. OTHER INFORMATION

In connection with the 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 knowledge obtained in the audit or otherwise appears not to be materially misstated. If based on the work I have performed, I conclude that there is no 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 legislation, and for such internal control as management deems it 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 for 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 (ISSAIs), 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 for users taken on the basis of these financial statements.

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

- Identify and assess the risk 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 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. I conclude that a material uncertainty exists, I am required to draw attention in the report to the related disclosures in the financial statements, or if such disclosures are inadequate to modify the opinion. My conclusions are based on the audit evidence obtained up to date of the report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- 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 determined those matters that were of most significance in the audit of the financial statements at 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 the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2023 were submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992 except that they were only submitted on 29 December 2023 instead of three months after the financial year end as required by the Act.

8. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Municipality of Henties Bay during the audit are appreciated.

WINDHOEK, April 2025



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

MUNICIPALITY OF HENIES BAY
ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 N\$	2022 N\$
Assets			
Current assets		18 844 176	12 709 567
Cash and cash equivalent		1 432 672	1 690 774
VAT receivable	6	3 360 680	1 623 225
Receivables from exchange transactions	7	10 946 565	6 286 517
Inventories	9	3 104 259	3 109 051
Non- Current assets		132 187 903	131 187 608
Property plant and equipment	11	97 804 364	96 256 152
Equity instruments	10	18 857 157	18 482 251
Loan receivables	8	15 526 382	16 449 205
Total assets		151 032 079	143 897 175
Equity and liabilities			
Current liabilities		17 297 504	15 705 992
Bank overdraft		4 424 115	3 522 211
Trade and other payables	12	9 609 760	9 363 349
Consumer deposits	13	2 301 717	2 201 598
Long term borrowings - current portion	15	961 912	618 834
Non-current liabilities		4 560 906	2 554 915
Long-term borrowings	15	2 331 723	544 927
Provision for severance pay	14	2 229 183	2 009 988
Total liabilities		21 858 410	18 260 907
Net assets		129 173 669	125 636 268
Reserves			
Non-Distributable Reserves		89 659 061	92 564 230
Accumulated surplus		39 514 608	33 072 038

ANNEXURE B

MUNICIPALITY OF HENIES BAY
ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF FINANCIAL PERFORMANCE

	Note	2023 N\$	2022 N\$
Revenue	2	55 549 266	57 148 206
Cost of sales		(60 111 280)	(60 358 460)
Gross deficit		(4 562 014)	(3 210 254)
Other income	3	6 202 373	347 515
Operating expenses		(3 421 834)	(3 671 199)
Operating deficit	5	(1 781 475)	(6 533 938)
Investment revenue		5 854	1 127
Interest paid	4	(155 836)	(148 568)
Deficit for the year		(1 931 457)	(6 681 379)

ANNEXURE C

MUNICIPALITY OF HENIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF CHANGES IN NET ASSETS / EQUITY

	Other NDR	Accumulated surplus	Total net assets / equity
	N\$	N\$	N\$
Balance at 1 July 2021	93 362 381	33 192 285	126 554 666
Changes in net assets / equity			
Additional funding	5 827 611	-	5 827 611
Other	(6 625 762)	6 561 132	(64 630)
Net income (losses) recognized in net assets / equity	(798 151)	6 561 132	5 762 981
Deficit for the year	-	(6 681 379)	(6 681 379)
Total recognized income and expenses for the year	(798 151)	(120 247)	(918 398)
Total changes	(798 151)	(120 247)	(918 398)
Balance at 1 July 2022	92 564 230	33 072 038	125 636 268
Changes in net assets / equity			
Contribution to assets recognized directly in equity	-	8 530 478	8 530 478
Additional funding	4 952 331	-	4 952 331
Expenditure on projects	(7 905 795)	-	(7 905 795)
Other	48 295	(156 451)	(108 156)
Net income (losses) recognized in net assets / equity	(2 905 169)	8 374 027	5 468 858
Deficit for the year	-	(1 931 457)	(1 931 457)
Total recognized income and expenses for the year	(2 905 169)	6 442 570	3 537 401
Total changes	(2 905 169)	6 442 570	3 537 401
Balance at 30 June 2023	89 659 061	39 514 608	129 173 669

MUNICIPALITY OF HENIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF CASH FLOW

	Note	2023 N\$	2022 N\$
Cash flows from operating activities			
Deficit		(1 931 457)	(6 681 379)
Adjustments for:			
Depreciation and amortisation expenses		9 677 918	9 092 179
Fair value adjustments - Equity instruments		(374 906)	(60 317)
Finance costs - finance leases		155 836	148 568
Debt impairment (Impairment reversal)		(6 163 326)	1 569 738
Movements in provisions		219 191	210 698
Changes in working capital:			
Inventories		4 792	44 132
Receivables from exchange transactions		1 503 278	(4 219 671)
Payables under exchange transactions		246 410	324 777
VAT		(1 737 455)	68 738
Consumer deposits		100 119	108 075
Net cash flows from operating activities		1 700 400	605 538
Cash flows from investing activities			
Purchase of property plant and equipment	11	(11 226 129)	(7 952 609)
Decrease in Loan receivable		922 823	851 295
Net cash flows from investing activities		(10 303 306)	(7 101 314)
Cash flow from financing activities			
Additional funding		13 482 809	5 827 612
Utilisation of funds		(7 857 500)	(64 631)
Proceeds from other financial liabilities		2 808 639	-
Repayment of other financial liabilities		(678 766)	(1 219 850)
Finance lease payments		(155 836)	(148 568)
Other adjustments		(156 446)	-
Net cash flows from financing activities		7 442 900	4 394 563
Net increase / (decrease) in cash and cash equivalents		(1 160 006)	(2 101 213)
Cash and cash equivalents at the beginning of the year		(1 831 437)	269 776
Cash and cash equivalents at the end of the year		(2 991 443)	(1 831 437)

**MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the accrual basis International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board in conjunction with the Local Authority Act (Act 23 of 1992) as amended the Namibian Constitution and the State Finance Act (Act 31 of 1991).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement unless specified otherwise. They are presented in Namibian Dollar.

Assets liabilities revenues and expenses were not offset except where offsetting is either required or permitted by a Standard of IPSAS.

A summary of the significant accounting policies which have been consistently applied in the preparation of the annual financial statements are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in Namibian Dollar.

1.2 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Council which represents an increase in net assets other than increases relating to contributions from Council members.

Fines are economic benefits or service potential received or receivable by the Council as determined by a court or other law enforcement body as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction the Council either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.2 Revenue from non-exchange transactions (Continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities in accordance with laws and or regulations established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Recognition

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue except to the extent that a liability is also recognized in respect of the same inflow.

As the Council satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognized by the entity.

When as a result of a non-exchange transaction the Municipality recognizes an asset it also recognizes revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition unless it is also required to recognize a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date and the amount of the increase in net assets if any recognised as revenue. When a liability is subsequently reduced because the taxable event occurs or a condition is satisfied the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to Municipality.

Where the Municipality collects fines in the capacity of an agent the fine will not be revenue of the Municipality.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.2 Revenue from non-exchange transactions (Continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to entity and the fair value of the assets can be measured reliably.

1.3 Revenue from exchange transactions

Exchange transactions are transactions in which Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction the Council either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue includes only the gross inflows of economic benefits of service potential received and receivable by Council on its own account. Amounts collected as an agent of the government or another government organization or on behalf of other third parties are no economic benefits or services potential that flow to the Council, and do not result in increases in assets or decreases in liabilities. Therefore, they are excluded from revenue.

Revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits or services potential associated with the transaction will flow to Council;
- (c) The stage of completion of the transaction at the reporting date can be measure reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably revenue is recognized only to the extent of the expenses recognized that are recoverable.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

ANNEXURE E

1.3 Revenue from exchange transactions (Continued)

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- (a) Council has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) Council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising from the use by others of entity assets yielding interest royalties and dividends or similar distributions is recognized when:

- (a) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- (b) The amount of the revenue can be measured reliably.

Revenue is recognized using the following accounting treatments:

- (a) Interest is recognized on a time proportion basis that takes into account the effective yield on the asset;
- (b) Royalties are recognized as they are earned in accordance with the substance of the relevant agreement; and
- (c) Dividends or similar distributions are recognized when the shareholder's or the entity's right to receive payment is established.

1.4 Property plant and equipment

Property plant and equipment are tangible items that:

- (a) Are held for use in the production or supply of goods or services for rental to others or for administrative purposes; and
- (b) Are expected to be used during more than one reporting period.

Class of property plant and equipment means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.4 Property plant and equipment (Continued)

Carrying amount is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Depreciable amount is the cost of an asset or other amount substituted for cost less its residual value. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset after deducting the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life is:

- (a) The period over which an asset is expected to be available for use by an entity; or
- (b) The number of production or similar units expected to be obtained from the asset by an entity.

Entity-specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recoverable amount is the higher of a cash-generating asset's fair value less costs to sell and its value in use. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Depreciation

Depreciation of an asset commence when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is depreciated. Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset the depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.4 Property plant and equipment (continued)

The residual value useful lives and depreciation methods are reviewed at each financial year end where there are significant changes in the expected pattern of economic benefit embodied in the asset the relevant changes will be made to the residual values and depreciation rates and the changes will be made to the residual values and depreciation rates and the change will be accounted for as a change in accounting estimates. Land is not depreciated as it has indefinite useful life. The measurement base useful life or depreciation rate as well as the depreciation method for all major classes of assets are set as follows:

Buildings	20 years useful life	Straight line method of depreciation
Plant and Machinery	5 years useful life	Straight line method of depreciation.
Motor Vehicles	5 years useful life	Straight line method of depreciation
Furniture and Fittings	5 years useful life	Straight line method of depreciation
Computer & Office Equipment	3-5 years useful life	Straight line method of depreciation.
Infrastructure	20 years useful life	Straight line method of depreciation

An item of property plant and equipment that qualifies for recognition as an asset is measured at its cost. Where an asset is acquired through a non-exchange transaction its cost is measured at its fair value as at the date of acquisition.

The cost of an item of property plant and equipment comprises:

- (a) Its purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates
- (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Revaluation Model

After recognition as an asset an item of property plant and equipment whose fair value can be measured reliably is carried at a revalued amount being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.4 Property plant and equipment (continued)

If an item of property plant and equipment is revalued the entire class of property plant and equipment to which that asset belongs is revalued.

If the carrying amount of a class of assets is increased as a result of a revaluation the increase is credited directly to revaluation surplus. However the increase is recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit. If the carrying amount of a class of assets is decreased as a result of a revaluation the decrease is recognized in surplus or deficit. However the decrease is debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

Revaluation increases and decreases relating to individual assets within a class of property plant and equipment must be offset against one another within that class but must not be offset in respect of assets in different classes.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The depreciation method reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.

The residual value and the useful life of an asset is reviewed at least at each annual reporting date and if expectations differ from previous estimates the change(s) is accounted for as a change in an accounting estimate. The depreciation method applied to an asset is reviewed at least at each annual reporting date and if there has been a significant change in the expected pattern of the consumption of the future economic benefits or service potential embodied in the asset the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

To determine whether an item of property plant and equipment is impaired the entity applies the accounting policies on Impairment of Assets. Compensation from third parties for items of property plant and equipment that were impaired lost or given up is included in surplus or deficit when the compensation becomes receivable.

The carrying amount of an item of property plant and equipment is derecognized:

- (a) On disposal; or
- (b) When no future economic benefits or service potential is expected from its use or disposal.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

The gain or loss arising from de-recognition of an item of property plant and equipment shall be included in surplus or deficit when the item is derecognized. The gain or loss arising from de-recognition 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.

1.5 Events after the reporting date

Events after the reporting date are those events both favorable and unfavorable that occur between the reporting date and the date when the annual financial statements are authorized for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity adjusts the amounts recognized in its annual financial statements to reflect adjusting events after the reporting date.

- (a) The nature of the event; and
- (b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

The entity does not prepare its annual financial statements on a going concern basis if those responsible for the preparation of the financial statements or the governing body determine after the reporting date either (a) that there is an intention to liquidate the entity or to cease operating or (b) that there is no realistic alternative but to do so.

If the entity receives information after the reporting date but before the annual financial statements are authorized for issue about conditions that existed at the reporting date the entity updates disclosures that relate to these conditions in the light of the new information.

1.6 Impairment of cash-generating assets

An impairment is a loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Non-cash-generating assets are assets other than cash-generating assets.

Cash-generating assets are assets held with the primary objective of generating a commercial return. For the purposes of impairment goodwill is considered a cash-generating asset.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.6 Impairment of cash-generating assets (Continued)

Recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use.

Useful life is either:

- (a) The period of time over which an asset is expected to be used by the entity; or
- (b) The number of production or similar units expected to be obtained from the asset by the entity.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The entity assesses at each reporting date whether there is any indication that an asset may be impaired.

If any such indication exists the entity estimates the recoverable amount of the asset.

1.7 Impairment of non-cash-generating assets

An impairment is a loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Non-cash-generating assets are assets other than cash-generating assets.

Cash-generating assets are assets held with the primary objective of generating a commercial return. For the purposes of impairment goodwill is considered a cash-generating asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) The period of time over which an asset is expected to be used by the Municipality; or
- (b) The number of production or similar units expected to be obtained from the asset by the Municipality.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.7 Impairment of non-cash-generating assets (Continued)

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists the Municipality estimates the recoverable service amount of the asset.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Initial recognition

The entity recognizes a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

Council measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Council measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Council first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, it analyses a concessionary loan into its component parts and accounts for each component separately, its accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Council measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

Council assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.8 Financial instruments (continued)

Derecognition

Financial assets

Council derecognises financial assets using trade date accounting.

- Council derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- Council transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- Council, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, Council :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The Council removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by Council directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.8 Financial instruments (continued)

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, Council does not offset the transferred asset and the associated liability.

1.9 Inventories

Inventories are assets:

- (a) In the form of materials or supplies to be consumed in the production process;
- (b) In the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) Held for sale or distribution in the ordinary course of operations; or
- (d) In the process of production for sale or distribution.

Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale exchange or distribution.

Inventories are measured at the lower of cost and net realizable value. Where inventories are acquired through a non- exchange transaction their cost is measured at their fair value as at the date of acquisition.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- (a) Distribution at no charge or for a nominal charge; or
- (b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises all costs of purchase costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.10 Provisions and Contingencies

Provisions are recognized when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential
- will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.11 Cash and cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It includes investments that are short-term (less than three months from the date of acquisition).

Cash comprises cash on hand and demand deposits.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes

Cash and cash equivalents comprise bank balances cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are in substance cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities and as such are included as a component of cash and cash equivalents.

1.12 Employee benefits

Employee benefits are all forms of consideration given by the Council in exchange for service rendered by employees or for the termination of employment.

Short-Term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.12 Employee benefits (continued)

Recognition and Measurement

When an employee has rendered service to Council during an accounting period, Council recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, Council recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Short-Term Paid Absences

Council recognizes the expected cost of short-term employee benefits in the form of paid absences as follows:

- in the case of non-accumulating paid absences, when the absences occur.

Council measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Profit-Sharing and Bonus Plans

Council recognizes the expected cost of profit-sharing and bonus payments when, and only when:

- Council has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, Council has no realistic alternative but to make the payments.

Post-employment Benefits - Distinction between Defined Contribution Plans and Defined Benefit Plans

Post-employment Benefits - Defined Contribution Plans

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.12 Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Recognition and Measurement

When an employee has rendered service to the entity during a period, the entity recognizes the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by the Council in connection with the borrowing of funds from financial institutions.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale

Borrowing costs are recognized as an expense in the period in which they are incurred.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.14 Budget information

Entity is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorizing legislation. The Council budget for 2022-2023 financial year was approved in terms of section 83(1) of the Local Authority Act, (Act 23 of 1992), as amended by the Minister of Urban and Rural Development.

General purpose financial reporting by Council shall provide information on whether resources were obtained and used in accordance with the legally approved budget.

The approved budget covers the fiscal period from 01/07/2022 to 30/06/2023

1.15 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Trade receivables / Held to maturity investments and/or loans and receivables

The Municipality assesses its trade receivables held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Taxation

The Municipality is not subject to income tax obligation by virtue of its establishment through act of Parliament in terms of section 2 of the Local Authority Act (23 of 1992) as amended.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.15 Significant judgments and sources of estimation uncertainty

Allowance for doubtful debts

On debtors an impairment loss is recognized in surplus and deficit when there is objective evidence that it is impaired. The Municipality provide debtors for doubtful to all debtors in 120 days and above and it measure the debt impairment as the difference between the prior year doubtful debts balance amount and the current year balance.

1.16 Commitments

Commitments are future expenditure to which the Municipality is committed and that will result in the outflow of resources. Commitments are not recognized in the statement of financial position as a liability or as expenditure in surplus or deficits but are included in the disclosure Notes. A distinction is made between capital and operational commitments.

1.17 Going concern assumption

1.18 Comparative figures

Comparative figures have been presented seeing this as the fourth year of transition to IPSAS with the 2019/2020 financial year being the first year of adoption.

Where necessary comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorized expenditure

Unauthorized expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or in the case of a main division not in accordance with the purpose of the main division

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1.21 Revaluation reserve

The surplus arising from the revaluation of property plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realized as revalued buildings are depreciated through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal based on revalued amounts are credited or charged to the statement of financial performance.

ANNEXURE E

MUNICIPALITY OF HENTIES BAY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

	2023	2022
	N\$	N\$
2. Income	61 757 493	57 496 848
Municipal revenue	55 549 266	57 148 206
Other income	6 202 373	347 515
Interest received- investment	5 854	1 127

The amount included in revenue arising from exchanges of goods or services as follows:

Revenue	55 549 266	57 148 206
Other income	6 202 373	347 515
Interest received- investment	5 854	1 127
	61 757 493	57 496 848

3. Other income	6 202 373	347 515
Bad debts recovered	6 163 326	-
Profit from disposal of assets	-	300 480
Miscellaneous income	39 047	47 035
4. Interest paid	155 836	148 568
Finance leases	155 836	148 568

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

	2023	2022
	N\$	N\$
5. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Impairment on trade and other receivables	-	1 569 738
Reversal of impairment on trade and other receivables	(6 163 326)	-
Depreciation on property plant and equipment	9 677 918	9 092 179
Employee costs	28 280 386	26 397 425
6. VAT receivable	3 360 680	1 623 225
VAT	3 360 680	1 623 225
7. Receivables from exchange transactions	10 946 565	6 286 517
Net trade debtors	10 502 245	5 924 562
Other receivables	444 320	361 955
Reconciliation of provision for impairment of trade and other receivables		
	(40 445 572)	(46 608 898)
Opening balance	(46 608 898)	(45 039 160)
Provision for impairment	-	(1 569 738)
Impairment reversals	6 163 326	-

MUNICIPALITY OF HENTIES BAY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

	2023	2022
	N\$	N\$
8. Loan receivables from exchange transactions	15 526 386	16 449 205
Loan receivables	15 526 386	16 449 205
9. Inventories	3 104 259	3 109 051
Raw material components	738 945	430 936
Unsold properties held for resale	2 365 314	2 678 115
10. Other financial assets	18 857 157	18 482 251
Designated at fair value		
Listed FNB shares	949 801	574 895
Investment in Erongored	17 907 356	17 907 356
Non-current assets	18 857 157	18 482 251
Listed FNB Shares	949 801	574 895
Investment in Erongored	17 907 356	17 907 356

**MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**

11. Property plant and equipment

	2023		2022	
Controlling entity	Cost/ Valuation	Accumulated Depreciation & Impairment	Carrying value	Cost / valuation
	N\$	N\$	N\$	N\$
Land	3 245 000	-	3 245 000	3 245 000
Buildings	17 307 143	(5 836 041)	23 143 184	17 307 143
Plant and Machinery	13 020 302	(9 561 792)	22 582 094	10 324 650
Furniture & fixtures	141 783	(111 815)	253 598	106 004
Motor vehicles	3 821 124	(2 813 403)	6 634 527	3 378 577
Office equipment	219 831	(158 802)	378 633	160 739
Infrastructure	140 393 159	(66 763 125)	207 156 284	134 246 706
Capital work-in progress	4 901 000	-	4 901 000	3 054 390
Total	183 049 342	(85 244 978)	268 294 320	171 823 209
			(75 567 060)	96 256 149

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

ANNEXURE E

Reconciliation of property plant and equipment 2023

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Land				
Buildings	3 245 000	-	-	3 245 000
Plant and machinery	12 446 315	-	(975 213)	11 471 102
Furniture and fixtures	1 092 065	2 695 652	(329 207)	3 458 510
Motor vehicles	13 272	35 779	(19 083)	29 968
Computer & office equipment	1 134 254	442 547	(569 080)	1 007 721
Infrastructure	29 213	59 091	(27 275)	61 029
Capital work-in progress	75 241 643	6 146 450	(7 758 059)	73 630 034
	3 054 390	1 846 610	-	4 901 000
Total	96 256 152	11 226 129	(9 677 917)	97 804 364

**MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**

Reconciliation of property plant and equipment 2022

	Opening balance	Additions	Transfers	Other changes movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Land	5 923 115	-	(2 678 115)	-	-	3 245 000
Buildings	13 421 528	-	-	-	(975 213)	12 446 315
Plant and machinery	1 376 345	-	-	-	(284 280)	1 092 065
Furniture and fixtures	28 130	-	-	-	(14 858)	13 272
Motor vehicles	1 695 960	-	-	-	(561 706)	1 134 254
Computer & office equipment	48 837	-	-	-	(19 624)	29 213
Infrastructure	69 364 944	4 898 219	-	8 214 979	(7 236 499)	75 241 643
Capital work-in progress	8 214 979	3 054 390	-	(8 214 979)	-	3 054 390
Total	100 073 838	7 952 609	(2 678 115)	-	(9 092 180)	96 256 152

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

ANNEXURE E

	2023	2022
	N\$	N\$
12. Payables under exchange transactions	9 609 760	9 363 349
Trade payables	5 339 599	4 885 510
Other payables	25 944	25 944
Retention payables	1 000 171	1 846 610
Accrued leave pay	2 279 831	1 764 194
Accrued bonus	964 215	841 091
13. Consumer deposits	2 301 717	2 201 598
Water	2 301 717	2 201 598
14. Provisions		

Reconciliation of provisions -2023

	Opening balance	Additions	Total
Provision for severance pay	2 009 991	219 193	2 229 184

Reconciliation of provisions -2022

	Opening balance	Additions	Total
Provision for severance pay	1 799 293	210 698	2 009 991

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

	2023	2022
	N\$	N\$
15. Other financial liabilities		
At amortized cost		
Long term borrowings	3 293 634	1 163 761
Various hire purchase agreement repayable over 60 months interest charged is linked to the prevailing prime rate and secured by a cession in favour of the lender over the Council's current and future trade receivables		
Non-current liabilities		
term borrowings - current	2 331 723	544 927
Current liabilities		
term borrowings - current portion	961 912	618 834

MUNICIPALITY OF HENTIES BAY**ANNEXURE F****ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2023**

Revenue		
Revenue from exchange transactions	61 757 493	57 496 848
Revenue	55 549 266	57 148 206
Other income	6 202 373	347 515
Interest received- investment	5 854	1 127
Expenses	63 688 950	64 178 227
Employee costs	28 280 386	26 397 425
Depreciation and amortization expenses	9 677 918	9 092 179
Debt impairment	-	1 569 738
General expenses	25 574 810	26 970 317
Interest paid	155 836	148 568
Deficit for the year	(1 931 457)	(6 681 379)

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF COMPARISON OF BUDGETED AND ACTUAL AMOUNT

ACCOUNT NO	ACCOUNT DESCRIPTION	EXPENDITURE		
		BUDGETED AMOUNT	ACTUAL AMOUNT	VARIANCE
0001 00 0	Salaries	13,458,389.00	12,054,709.05	1,403,679.95
0002 00 0	Transport Allowance	670,259.00	544,523.53	125,735.47
0003 00 0	Staff 5 Year Bonus (Phsein)	142,833.00	17,065.19	125,767.81
0004 00 0	Housing Allowance & Suby	5,143,522.00	3,864,670.17	1,278,851.83
0005 00 0	Vehicle Allowance	510,391.00	507,311.58	3,079.42
0006 00 0	Annual Bonus	1,110,004.00	906,421.63	203,582.37
0007 00 0	Leave Gratuities	733,513.00	27,046.11	706,466.89
0008 00 0	Overtime	1,346,189.00	1,393,727.15	49,533.25
0009 00 0	Standby Allowances	41,580.00	20,790.00	20,790.00
0010 00 0	Pension fund Contributions	2,835,108.00	2,472,287.84	413,871.16
0011 00 0	Social Security Contributi	96,192.00	89,499.73	26,892.27
0012 00 0	Medical Aid Contributions	4,688,268.00	4,781,635.12	83,366.32
0013 00 0	Cell Phone Allowance	121,650.00	111,450.00	10,200.00
0014 00 0	Vehicle Running Cost	180,135.00	180,135.00	-
0021 00 0	CONTRACT/CASUAL EMPLOYEES	1,060,000.00	701,682.54	358,317.46
1001 00 0	Council Allowance	560,015.00	508,022.72	7,722.28
1005 00 0	FIXED TERM CONTRACTUAL	4,419.00	-	4,419.00
1006 00 0	Workmen's compensation	150,000.00	-	150,000.00
1009 00 0	INTERMS	100,000.00	98,119.04	880.96
1010 00 0	Courier services	120,000.00	80,119.78	39,880.22
1011 00 0	Traveling & Substanc	1,829,021.00	1,285,145.32	73,865.68
1013 00 0	Safety Ware	806,981.00	293,327.02	13,633.98
1014 00 0	Training & Development	720,000.00	511,030.78	208,969.22
1015 00 0	Departmental Charges	1,800,272.00	1,512,289.39	287,982.61
1018 00 0	Bullets (Dog Control)	10,000.00	-	10,000.00
1022 00 0	Orphans & Vulnerable Child	15,292.00	7,500.00	7,792.00
1023 00 0	Family Health Centre	50,000.00	14,178.20	35,821.80
1034 00 0	Bulk Purchases - Water	11,221,849.00	7,102,941.69	4,118,907.31
1039 00 0	Bank Charges	353,924.00	353,924.04	0.04
1041 00 0	Official Entertainment	130,000.00	127,555.16	2,444.84
1043 00 0	Consultant Fees	20,000.00	14,500.00	5,500.00
1055 00 0	Telephone expenditure	75,635.00	75,634.55	0.45
1059 00 0	Printing & Stationery	283,000.00	282,699.68	301.32
1061 00 0	Advertising	150,000.00	85,499.40	64,500.60
1062 00 0	Publications	10,000.00	6,000.00	4,000.00
1063 00 0	Legal Costs	200,000.00	115,649.60	84,350.40
1064 00 0	Promotion and Marketing	30,984.00	17,921.74	13,062.26
1065 00 0	Valuation cost	100,000.00	-	100,000.00
1067 00 0	Donations, Graves&Comm. Dev	10,000.00	10,000.00	-
1068 00 0	Insurance	500,000.00	491,713.15	8,286.85
1069 00 0	Town Planning Scheme	455,643.00	2,200.00	453,443.00
1071 00 0	Insect and Rodent Control	75,000.00	32,394.95	42,605.05
1075 00 0	Cleaning Services	175,000.00	171,942.00	3,058.00
1078 00 0	Staff Awards	80,000.00	40,532.00	39,468.00
1079 00 0	Corporate Material	150,000.00	163,760.92	46,230.08
1080 00 0	Fuel & Oil	2,190,953.00	2,058,076.81	132,876.19
1081 00 0	Stores & Materials	180,000.00	106,469.92	73,530.08
1087 00 0	Wholesale Gas (Refugee Camp)	452,500.00	386,100.00	66,400.00
1088 00 0	Year End Function	50,000.00	49,674.69	375.31
1089 00 0	Chlorine	10,000.00	-	10,000.00
1090 00 0	Rental of Chlorine Bottles	10,000.00	-	10,000.00
1094 00 0	Membership Fees Association	142,508.00	18,830.00	123,678.00
1096 00 0	Trees, Shrubs and Manure	40,000.00	3,909.56	36,090.44
1097 00 0	Animal licence fee	150,000.00	182,606.05	7,353.95
1099 00 0	Electricity Consumption	120,000.00	-	120,000.00
1100 00 0	Contrib. Regional Council	1,056,481.00	897,151.34	159,330.66
1101 00 0	SECURITY SERVICES	850,000.00	576,674.90	73,325.10
1103 00 0	Monthly returns-deeds off	5,000.00	2,440.00	2,560.00
1105 00 0	Disaster Fund	100,000.00	784.78	99,215.22
1111 00 0	Elders/Pensioners	35,000.00	29,052.95	5,947.05
1113 00 0	Cleaning Campaign	80,000.00	6,645.69	53,354.31
1114 00 0	Grant to Majoral relief fu	30,000.00	-	30,000.00
1115 00 0	Malatya	11,000.00	11,000.00	-
2042 00 0	Long distance charges	229,498.00	226,777.15	3,720.85
2053 00 0	Postage and Stamps	30,000.00	6,391.07	23,608.93
2056 00 0	Debitors Account Automizati	270,000.00	186,831.22	83,168.78
2082 00 0	Rental Office Equipment	224,162.00	234,161.93	9,999.93
2083 00 0	Rent Offices	-	782.40	782.40
2084 00 0	Electricity usage	1,421,000.00	1,430,999.14	9,999.14
2103 00 0	Investment Sourcing/ Expo	175,838.00	45,306.96	130,531.04

MUNICIPALITY OF HENTIES BAY

ANNEXURE F

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF COMPARISON OF BUDGETED AND ACTUAL AMOUNT (continued)

2188 00 0	RENTAL PLANT MACHINERY & E			
2200 00 0	Vehicle Licensing	100,000.00	15,316.09	84,683.91
2234 00 0	Indec. Celebr. & National ds	650,000.00	432,134.39	217,865.61
2236 00 0	Rental of gas bottles	20,000.00	-	20,000.00
2237 00 0	Recruitment Cost	20,000.00	20,000.00	-
2278 00 0	Provision for Bad Debts	50,000.00	33,563.00	16,437.00
2279 00 0	Emergency Services Year En	187,492.00	150,000.00	37,492.00
2300 00 0	Employee Wellness	30,000.00	4,431.90	25,568.10
2303 00 0	First Aid Kit	170,000.00	152,120.12	17,879.88
2304 00 0	IT Services & Maintenance	10,000.00	1,639.83	8,360.17
2305 00 0	Debt Collection	450,000.00	240,823.72	209,176.28
2308 00 0	Outsourcing of Services	745,000.00	574,366.10	170,633.90
2310 00 0	Cell Phone & Contract Alls	20,000.00	3,253.57	16,746.43
2312 00 0	Annual Medical Examination	12,000.00	4,285.15	7,714.85
2315 00 0	CELLPHONE CEO & HOD	80,000.00	47,293.44	32,706.56
2319 00 0	APS IPSAS ADOPTION	28,000.00	-	28,000.00
2340 00 0	PROCUREMENT MANAGE & BID EVA	60,000.00	52,273.82	7,726.18
2342 00 0	STANDSBAY CELLPHONE ALLOWAN	40,000.00	37,051.95	2,948.05
2348 00 0	STADIUM UPGRADE	10,200.00	4,110.00	6,090.00
2349 00 0	SPEED CAMERA/TRUCAM31T12	200,000.00	200,000.00	-
2351 00 0	PAPER ROLL INTOLYZER MOUN	150,000.00	11,505.71	138,494.29
3051 00 0	PRE PAID WATER SYSTEM	30,000.00	24,427.67	5,572.33
3101 00 0	Buildings	50,000.00	50,000.00	-
3102 00 0	Vehicles	500,000.00	497,983.27	2,016.73
3103 00 0	Plant, Machinery & Equip	1,500,000.00	1,417,920.50	82,079.50
3104 00 0	Furniture & Equip (Office)	100,000.00	2,610.00	97,390.00
3106 00 0	MICROSTOP SES LICENSE FEES	220,000.00	59,941.32	160,058.68
3107 00 0	Road- and Traffic signs	150,000.00	-	150,000.00
3108 00 0	Water Reticulation	80,000.00	80,000.00	-
3110 00 0	Development of Graves	300,000.00	300,000.00	-
3111 00 0	NEW SEWER MAINTENANCE	80,000.00	-	80,000.00
3120 00 0	Tools and Equipment	200,000.00	168,411.39	31,588.61
3129 00 0	Streets: kerb stones /gave	100,000.00	58,955.18	41,044.82
3136 00 0	Sewerage Reticulation Grav	-	8,136.17	8,136.17
3138 00 0	Sewerage Valves	100,000.00	100,000.00	-
3139 00 0	Sewerage Reticulation Vaco	150,000.00	149,191.92	808.08
3146 00 0	2.4 TOYOTA HILUX TRAFFIC	400,000.00	399,754.55	245.45
3164 00 0	SOFTWARE ANNUAL FEES	500,000.00	442,546.96	57,453.04
3165 00 0	OFFICE AIR CONDITIONING	100,000.00	41,100.00	58,900.00
4110 00 0	Ext. Capital Redemption	146,076.00	-	146,076.00
4111 00 0	Ext. Interest Redemption	3,490,000.00	310,000.00	3,090,000.00
TOTAL EXPENDITURE		71,166,892.00	53,451,133.66	17,715,558.34

MUNICIPALITY OF HENTIES BAY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF COMPARISON OF BUDGETED AND ACTUAL AMOUNT (continued)

		INCOME		
ACCOUNT NO	ACCOUNT DESCRIPTION	BUDGETED AMOUNT	ACTUAL AMOUNT	VARIANCE
8002 00 0	Inspector & Busin. Register. Fe	265,000.00	194,428.51	70,571.49
8020 00 0	Commission-salary deduction	50,818.00	54,517.33	3,699.33
8021 00 0	Sundry Income Insurance C	5,723,657.00	20,405,903.58	5,723,657.00
8301 00 0	Rates and Taxes	21,129,530.00	5,053,181.69	723,726.41
8303 00 0	Cleaning Services	4,989,110.00	17,667,477.37	81,971.69
8305 00 0	Water Sales	17,385,054.00	427.19	83,411.37
8306 00 0	Late Payment Charges	3,432,739.00	112,543.41	3,631,337.81
8310 00 0	Rental-landlords	180,000.00	52,985.00	67,056.58
8311 00 0	House Rentals	10,000.00	289,331.44	42,985.00
8312 00 0	Building Pipe Fees	248,056.00	1,057,174.00	43,205.44
8313 00 0	Subsidy Street Maintenance	1,107,800.00	190,589.71	50,476.00
8314 00 0	Disconnection & Reconnect Fee Wa	230,000.00	-	39,406.29
8322 00 0	Profit/Loss: Sale of Asset	3,655,757.00	-	3,655,757.00
8324 00 0	Clog Top	5,000.00	894.63	4,105.37
8328 00 0	Burial Fees	80,000.00	42,309.29	37,690.71
8341 00 0	Surcharges	2,364,000.00	2,434,562.97	50,562.97
8345 00 0	Sewerage - Grey Water	5,000.00	-	5,000.00
8356 00 0	Interest on current account	-	1,894.23	5,854.23
8361 00 0	Clearance certificate	35,000.00	14,988.66	16,611.34
8362 00 0	Valuation certificate	6,000.00	21,614.30	17,614.30
8363 00 0	Adverts - Outdoor	15,000.00	1,650.12	13,349.88
8370 00 0	Tender Documents	35,000.00	13,309.00	13,691.00
8374 00 0	Admin Fee: L/C & B/T	26,000.00	22,073.21	3,926.79
8402 00 0	BETTERMENT FEE	350,600.00	-	350,600.00
8404 00 0	Vacuum Sewerage Connection	150,000.00	108,027.94	41,972.06
8405 00 0	Sewerage Fee (Basic charge)	5,727,817.00	5,775,002.80	47,185.80
8406 00 0	Building Rubble	10,000.00	1,380.46	8,619.54
8913 00 0	Pip - water sales	350,000.00	112,818.93	237,181.07
8914 00 0	PP - water issue volume	10,000.00	6,967.85	3,032.15
9334 00 0	Traffic Subsidies	500,000.00	502,680.00	2,680.00
9340 00 0	Wheeler Bins (Refuse Bin)	2,000.00	-	2,000.00
9343 00 0	Informal Settlement Rental	25,000.00	11,520.00	3,480.00
9345 00 0	Rental of Seals	1,000.00	-	5,000.00
9350 00 0	Rental Sports Field	10,000.00	6,516.52	3,483.48
9353 00 0	Sand Removal p/request pro	10,000.00	-	10,000.00
9354 00 0	Sand Mining p/reqd Tariff	400,000.00	64,054.03	335,945.97
9356 00 0	Unauthorised Charges	50,000.00	34,846.78	15,153.22
9359 00 0	Endowment Fee	400,000.00	563,577.52	400,000.00
9361 00 0	MATS CLAIM	588,489.00	-	4,911.48
9362 00 0	GRAVEL MATERIAL	350,000.00	-	350,000.00
9369 00 0	Street Levy	734,825.00	737,173.39	2,348.39
9562 00 0	INVESTORS CONFERENCE	100,000.00	-	100,000.00
9563 00 0	RENTAL COUNCIL CHAMBER	-	30,900.00	30,900.00
9565 00 0	MALASALA FUNDRAISING	-	10,100.00	10,100.00
9568 00 0	GARDEN REFUSE REMOVAL ON R	40,000.00	630.21	39,369.79
9569 00 0	BY LAW FINES	25,000.00	-	25,000.00
TOTAL INCOME		71,166,882.00	55,887,746.07	15,279,135.93