



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF OKAHANDJA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 Okahandja for the financial year ended 30 June 2021, 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.

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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, August 2022

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
OKAHANDJA MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

1. DISCLAIMER OF OPINION

I have audited the financial statements of the Okahandja Municipality for the financial year ended 30 June 2021. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net equity and the statements of cash flow for the year then ended and a summary of significant accounting policies.

Because of the significance of the matters described in the Basis for Disclaimer of audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

2. BASIS FOR DISCLAIMER OF OPINION

I conducted the 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 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 the 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 not sufficient and appropriate to provide a basis for the audit opinion. A disclaimer audit opinion is being expressed due to the following:

2.1 Comparative figures and opening balances

The prior year audit report also had a disclaimer of audit opinion. Consequently the auditors could not obtain sufficient appropriate evidence to satisfy themselves that the opening retained earnings and comparative figures in the current year statement of financial position, statement of financial performance, statement of changes in net equity and cash flow statement are fairly presented. Furthermore, the auditors were unable to determine whether any adjustments might have been found necessary in respect of recorded and/or unrecorded opening balances for the relevant financial statements areas in the statement of financial position, statement of financial performance, statement of changes in net equity and cash flow statement.

2.2 Property, plant and equipment

The Municipality has property, plant and equipment which is carried at N\$ 77 662 705 (2020: N\$ 81 394 405) in the financial statements. The fixed asset register does not classify the assets as per the class of assets but as per the type of financing used to purchase those assets. In addition the assets are not tagged so that they are easily identifiable thus the auditors could not trace assets physically verified from the floor to the asset register. There are no alternative procedures that the auditors could perform to verify completeness, existence and valuation of property, plant and equipment.

2.3 Inventory

The auditors could not observe the counting of the physical inventories stated at N\$ nil (2020: N\$ nil) in the financial statements thus the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the existence, completeness and valuation of the inventory quantities by alternative audit procedures. Consequently the auditors were unable to satisfy themselves as to the existence, completeness, valuation and accuracy of inventory and related financial statement.

2.4 Trade and other receivables

The Credit Control and Debt Collection Policy and Procedures paragraph 14.3 states that provision for doubtful debts or bad debts will be provided for in the balance sheet for debts that is 120 days and +120 days old in the debtor's age analysis. The provisioning policy is not in line with the generally accepted provisioning policy for the Local Authorities of 90 days and above. Thus the provision for doubtful debts recognised in the financial statements appear to be understated by N\$ 7 101 524 (2020: N\$ 22 374 762).

In addition there is a credit balance of N\$ 5 876 394 in the accounts receivables balance which was not reclassified to accounts payable in the financial statements. The balance constitutes of unallocated deposits of N\$ 4 280 997 which management provided to the auditors with a listing although it is not a valid listing because it does not show the date of deposit and bank account of the customer.

Consequently, the auditors were unable to satisfy themselves as to the valuation and completeness of the trade and other receivables and related financial statement areas.

2.5 Value Added Tax (VAT)

The auditors could not obtain a schedule of VAT returns that substantiate the VAT receivable balance of N\$ 12 827 622 (2020: N\$ 16 729 789) recognised in the books of accounts therefore, the auditors could not obtain reasonable assurance regarding the existence, accuracy and valuation of the VAT receivable balance. Consequently, the auditors were unable to satisfy themselves as to the existence, accuracy and valuation of the trade and other receivables and related financial statement areas.

2.6 Interest in joint ventures

The Municipality has interest in a joint venture named Cenored-Okahandja (Pty) Ltd which is carried in the books of the Municipality at N\$ 24 129 367 (2020: N\$ 24 129 367). Considering that Cenored-Okahandja (Pty) Ltd has a history of losses and that its liabilities exceeded its assets as at 30 June 2021, the Municipality should have recognised an impairment loss relating to the interest in this joint venture. However, the Municipality did not recognise any impairment loss relating to the interest in the joint venture. Consequently, the auditors are unable to satisfy themselves as to the valuation of the interest in the joint venture and related financial statement areas.

2.7 Accounts payables

Auditors could not verify accounts payables due to the following:

- The auditors could not obtain the listing of revenue debtors with a credit balance of N\$ 3 375 647 that are included in the trade payables balance, thus the completeness, existence and valuation of trade payables in the financial statements could not be verified.
- The Municipalities policy stipulates that leave days should be capped at 60 days at any given time for employees as per the Government Gazette of 30 November 2010 No. 4621 on Personnel Rules. However, the Municipality did not cap the leave days at 60 days when determining the provision for leave pay. The resultant impact of the non-compliance with this Government Gazette has not been adjusted in the financial statements and consequently the provision for leave pay is overstated by N\$ 3 180 322 (2020: N\$ 2 757 347).
- The Municipality did not account for the 5% contribution to the Regional Council which resulted in a difference of N\$ 4 425 840 between the liability confirmed by the Regional Council and the liability in the Municipalities annual financial statement.

There were no alternative procedures that, the auditors could perform to satisfy themselves as to the completeness existence and valuation of accounts payables. Consequently, auditors were unable to satisfy themselves as to the completeness, existence and valuation of accounts payables and the related financial statement.

2.8 Revenue

There is a difference of N\$ 6 046 866 between the revenue from water sales as per the billing reports of N\$ 44 158 199 and the revenue from water sales disclosed in the financial statement of N\$ 50 205 065. In addition the auditors tested a sample of water accounts and identified an extrapolated error of N\$ 19 625 673. Furthermore, the Municipality reported water distribution losses of 42% (35%) that are materially outside the normal expected range of 8% to 15%. There were no alternative procedures that the auditors could perform to verify the reason for the difference. Consequently, the auditors were unable to satisfy themselves as to the completeness, accuracy, valuation and existence of water sales revenue and the related financial statement areas.

2.9 Scope limitations due to lack of audit evidence

The Municipality could not provide supporting documentation and proof of authorisation of the audit adjustments journal processed in the accumulated surplus account for an amount of N\$ 2 610 887. There were no alternative procedures that auditors could perform to obtain audit evidence supporting the journal processed. Consequently, the auditors were unable to satisfy themselves as to the presentation of the comparative figures in the financial statements.

2.10 Council Meeting Minutes

The Municipality could not provide the Council meeting minutes for the subsequent period of January 2022, February 2022, April 2022 and May 2022. Therefore, the auditors were unable to verify if there were events that may require adjustments to the financial statements.

3. 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 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 to be materially misstated.

4. 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 International Public Sector Accounting Standards (IPSAS) and for such internal control as management determines it necessary to enable the preparation of the 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 Municipality'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 Municipality or to cease operations or has no realistic alternative but to do so.

5. 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 audit report that includes the audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards for Supreme Audit Institutions (ISSAI's) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in 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 International Standards for Supreme Audit Institutions I exercise professional scepticism throughout the audit I also;

- 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 the audit 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 audit opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies uses 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 the audit auditor report to the related disclosures in the financial statements or if such disclosures are inadequate to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the 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.
- 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 the audit.
- 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 the audit 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 audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted later than required by the Accounting Officer to the Auditor-General on 30 December 2021 in terms of Local Authorities Act 23 of 1992 instead of three months after year end (30 September 2021) as required by the Act.

7. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Municipality of Okahandja during the audit is appreciated.



WINDOEK August 2022

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2021 N\$	2020 N\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19	16 761 101	13 769 643
VAT receivable		12 827 622	16 729 789
Receivables from exchange transactions	21	10 739 985	21 058 157
NON-CURRENT ASSETS			
Property, plant and equipment	22	77 662 705	81 394 405
Interest in joint ventures		24 129 367	24 129 367
TOTAL ASSETS		142 120 780	157 081 361
FUNDS AND LIABILITIES			
CURRENT LIABILITIES			
Payables under exchange transactions	23	34 515 968	18 327 360
Payables from Non-exchange Transactions	23	4 197 864	2 851 650
Bank overdraft		-	12 466 313
Non-Current Liabilities			
Government loans		433 518	588 391
Net Assets		102 973 430	122 847 647
Housing fund		6 380 399	6 199 078
Accumulated surplus		96 593 031	116 648 569
Total Net Assets/Equity		142 120 780	157 081 361

ANNEXURE B

THE MUNICIPALITY OKAHANDJA
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2021 N\$	2020 N\$
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
TAXATION REVENUE			
Property rates	3	25 150 747	26 921 868
Fines		-	2 000
TRANSFER REVENUE			
Transfers from government and related entities	3	2 224 180	-
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		27 374 927	26 923 868
REVENUE FROM EXCHANGE TRANSACTIONS			
Service charges	4	68 748 319	54 877 269
Rendering of services		852 662	582 015
Surcharges and interest		2 791 173	4 496 978
Rental of facilities and equipment	5	700 255	737 487
Miscellaneous other revenue		75 504	28 607
Other Revenue	6	3 747 356	4 252 322
Interest Earned on Investments	7	7 677 908	6 727 021
TOTAL REVENUE		111 968 104	98 625 567
EXPENSES			
Bulk purchases		25 189 010	23 575 970
Employee costs	8	39 059 692	39 820 773
Depreciation and amortization expense	15	11 188 437	8 254 614
Repairs and maintenance		5 193 435	3 278 278
Contracted services		2 101 880	2 509 884
Debt impairment		37 333 205	30 122 612
General Expenses	13	8 867 200	11 017 318
Interest paid	14	298 575	396 690
DEFICIT FOR THE YEAR		(17 263 330)	(20 350 572)

**MUNICIPALITY OF OKAHANDJA
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE**

	Other Funds		Housing		Total Reserves		Accumulated Surplus		Total net Assets/equity	
	N\$		N\$		N\$		N\$		N\$	
Balance at July 1 2019	119 902 242		5 966 337		125 868 579		34 936 123		160 804 702	
Changes in net assets/equity Direct Adjustment to net assets										
Writing-off of Statutory funds	-		232 741		232 741		(17 839 224)		(17 606 483)	
Reclassification of statutory funds to accumulated surplus	(119 902 242)		-		(119 902 242)		-		(119 902 242)	
Net income (losses) recognised directly in net assets	-		-		-		119 902 242		119 902 242	
Surplus for the year	(119 902 242)		232 741		(119 669 501)		102 063 018		(17 606 483)	
Total net surplus (deficit) for the period	(119 902 242)		232 741		(119 669 501)		(20 350 572)		(20 350 572)	
Balance at July 1 2020	-		6 199 078		6 199 078		116 648 569		122 847 647	
Changes in net assets/equity Direct Adjustment to net assets										
Net income (losses) recognized directly in net assets	-		181 321		181 321		(2 792 208)		(2 610 887)	
Surplus for the year	-		-		-		(17 263 330)		(17 263 330)	
Total recognized income and expenses for the year	-		181 321		181 321		(20 055 538)		(19 874 217)	
Balance at June 30 2021	-		6 380 399		6 380 399		96 593 031		102 973 430	

ANNEXURE D

**THE MUNICIPALITY OF OKAHANDJA
CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE**

	Note	2021 N\$	2020 N\$
Cash flows from operating activities			
Receipts		88 855 238	88 596 650
Property taxes and other		25 150 747	26 923 868
Sale of goods and services		53 802 403	54 945 761
Government grants and subsidies		2 224 180	-
Interest received		7 677 908	6 727 021
Payments		(65 785 862)	(97 074 038)
Compensation of employees		(39 059 692)	(39 820 773)
Suppliers		(26 427 595)	(56 856 575)
Interest paid		(298 575)	(396 690)
Net cash flows from operating activities	24	23 069 376	(8 477 388)
Cash flows from investing activities			
Purchase of property, plant and equipment		(7 456 736)	(4 235 377)
Cash flows from financing activities			
Repayment of loans		(154 873)	-
Repayment of government loans		-	(140 959)
Net cash flows from financing activities		(154 873)	(140 959)
Net increase/(decrease) in cash and cash equivalents		15 457 767	(12 853 724)
Cash and cash equivalents at the beginning of the year		1 303 330	14 157 054
Cash and cash equivalents at the end of the year	19	*16 761 097	1 303 330

The accounting policies on pages 13 to 41 and the notes on pages 41 to 45 form an integral part of the annual financial statements

*A difference of N\$ 4 was noted between Cash and Cash equivalent as per Cash flow statement amounting to N\$ 16 761 097 and that of statement of Financial position amounting N\$ 16 761 101 and note 19.

**THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE**

<i>Budget on Cash Basis</i>	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
Revenue					
Revenue from non-exchange					
Taxation revenue					
Property rates	29 539 017	29 539 017	25 150 747	(4 388 270)	1
Other revenue					
Transfers from other government entities	9 764 589	9 764 589	2 224 180	(7 540 409)	2
Total revenue from non-exchange transactions	39 303 606	39 303 606	27 374 927	(11 928 679)	
Revenue from exchange transactions					
Land sales	2 500 000	2 500 000	-	(2 500 000)	3
Service charges	62 635 668	62 635 668	68 748 319	6 112 651	4
Rendering of services	564 822	564 822	852 662	287 840	
Surcharges and interest	8 500 000	8 500 000	2 791 173	(5 708 827)	5
Rental of facilities and equipment	687 310	687 310	700 255	12 945	
Miscellaneous other revenue	30 241	30 241	75 504	45 263	
Other revenue	3 149 824	3 149 824	3 747 356	597 532	
Interest Earned - External	6 917 196	6 917 196	7 677 908	760 712	

ANNEXURE E

**THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE (continued)**

<i>Budget on Cash Basis</i>	Approved	Final Budget	Actual amounts	Difference	Reference
	budget		on comparable basis	between final budget and actual	
	N\$	N\$	N\$	N\$	
Investments					
Total revenue from exchange transactions	84 985 061	84 985 061	84 593 177	(391 884)	
Total revenue from non-exchange transactions ¹	39 303 606	39 303 606	27 374 927	(11 928 679)	
Total revenue	124 288 667	124 288 667	111 968 104	(12 320 563)	
Expenditure					
Bulk purchases	(21 496 679)	21 496 679	(25 189 010)	(3 692 331)	
Employee costs	(53 978 571)	53 978 571	(39 059 692)	14 918 879	
Depreciation and amortisation	-	-	(11 188 437)	(11 188 437)	6
Repairs and maintenance	(6 815 296)	6 815 296	(5 193 435)	1 621 861	7
Contracted Services	(2 402 960)	2 402 960	(2 101 880)	301 080	8
Debt impairment	-	-	(37 333 205)	(37 333 205)	
General Expenses	(15 896 108)	15 896 108	(8 867 200)	7 028 908	
Interest paid	(190 159)	190 159	(298 575)	(108 416)	
Total expenditure	(100 779 773)	(100 779 773)	(129 231 434)	(28 451 661)	
				(40 772 224)	
Deficit	23 508 894	23 508 894	(17 263 330)	(40 772 224)	
Surplus before taxation	23 508 894	23 508 894	(17 263 330)	(40 772 224)	
Taxation	-	-	-	(40 772 224)	

THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE (continued)

Note: The Council is not required to prepare and publish Budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS 24.5 from preparing the Statement of Comparison of the Budget and Actual Amounts for those statements

- Actual rates and taxes are below budget as the General Valuation roll for the financial year 2021 was not completed within the financial year and therefore rates and taxes could not be charged according to new valuations.
- Total subsidy approved for the Municipality was N\$ 10 million however since the government disburses subsidies based on invoices submitted in terms of progress. The Council was unable to implement the project within the financial year and therefore the money reserved for construction of services was returned to Treasury.
- Due to the late lifting of the moratorium on land sales by the Minister of Urban and Rural Development no land sales were realized for the financial year.
- Service charges realized for the financial year were 9.75% more than the budgeted service charges due to some private housing developments that lead to a positive growth in the debtors list.
- Surcharges for the financial year were not received as usual as the Board of the Cenored Okahandja Joint Venture electricity Distribution Company had requested its shareholders to approve a debt subordination agreement due to a solvency problem in the joint venture company that the auditors had flagged. The Council as a shareholder approved the debt subordination and Cenored Pty Ltd also as a shareholder approved to subordinate its debt.
- Bulk purchases for the financial year escalated especially during the Covid-19 pandemic whereby more water points were installed in informal settlements that previously did not have any water points.
- The Council operates below capacity in terms of vacancies filled on the organizational structure whereby 54 vacant positions continue to be unfilled because of staff expenses that exceed the 35% ceiling of budgeted operational expenditure. These positions can only be filled if the current employee costs fall below 35% to give room for more staff appointments.
- Depreciation for the financial year 2021 was not budgeted for.
- Debt impairment for the financial year 2021 was not budgeted

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

ACCOUNTING POLICIES

1. Presentation of financial statements

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as approved by the Line Minister in consultation with audit Auditor-General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended. Okahandja Municipality adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2019 having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General. In the adoption of accrual basis IPSAS it has elected to utilise some of the transitional exemptions allowed by IPSAS 33 "First Time Adoption of Accrual Basis IPSAS".

Some of the transitional exemptions utilised do affect the fair presentation of the financial statements as well as compliance with accrual basis IPSAS during the period of transition and therefore Council cannot assert full compliance with accrual basis IPSAS. During this transition period the financial statements will be known as the Transitional IPSAS Financial Statements and certain disclosures and reconciliations are required to provide sufficient and relevant information to the users of the financial statements.

Municipality adopted accrual basis IPSAS is for the first time at 1 July 2019 and is making use of some of the transitional provisions for the 2020/2021 financial year. Details of the exemptions in adopting accrual basis IPSAS are provided below.

Municipality choose to utilise the following transitional exemptions that do affect the fair presentation of the financial statements:

- IPSAS 5 Borrowing Costs
- IPSAS 12 Inventories
- IPSAS 16 Investment Property
- IPSAS 17 Property, plant and Equipment
- IPSAS 19 Provision Contingent liabilities and Contingent Assets
- IPSAS 20 Related Party Disclosure
- IPSAS 30 Financial Instruments IPSAS
- IPSAS 31 Intangible Assets
- IPSAS 32 Services Concession Arrangements: Grantor
- IPSAS 35 Consolidated Financial Statements
- IPSAS 36 Investments in Associates and Joint Ventures
- IPSAS 39 Employee Benefits

Transitional exemptions utilised that do not affect fair presentation of financial statements:

**THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)**

ACCOUNTING POLICIES

1. Presentation of financial statements (continued)

IPSAS 4 The effects of Changes in Foreign Exchange Rates

IPSAS 10 Financial Reporting in Hyperinflationary Economies

IPSAS 13 Leases

IPSAS 21 Impairment for Non-cash Generating Assets

IPSAS 26 Impairment of Cash Generating Assets

IPSAS 28 Financial Instruments: Disclosure

IPSAS 29 Financial Instruments: Recognition and Measurement

IPSAS 37 Joint Arrangements

IPSAS has to be adopted in full during 2020/2021 financial period:

IPSAS 1 Presentation of Financial Statements

IPSAS 2 Cash Flow Statements

IPSAS 3 Accounting Policies Changes in Accounting Estimates and Errors

IPSAS 9 Revenue from Exchange Transaction

IPSAS 14 Events after Reporting Date

IPSAS 22 Disclosure of information about the General Government Sectors

IPSAS 24 Presentation of Budget Information in the Financial Statements

These 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 Namibia Dollar.

In the absence of an issued and effective Standard of IPSAS accounting policies for material transactions events or conditions were developed in accordance with paragraph 12 of IPSAS 3.

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 that have been consistently applied in the preparation of these annual financial statements are disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

**THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)**

ACCOUNTING POLICIES

1. Presentation of financial statements (continued)

1.1. Significant judgements 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 judgement 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.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

The following are the critical judgements and estimations that management have made in the process of applying the Municipalities Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue recognition

Accounting Policy 1.3 on Revenue from Exchange Transactions and Accounting Policy 1.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement the management considered the detailed criteria for the recognition of revenue asset outing IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above) and in particular whether the Municipality when goods are sold had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)**

ACCOUNTING POLICIES

1.1. Significant judgements and sources of estimation uncertainty (continued)

Impairment of Financial Assets

Accounting Policy 1.8 on Financial Instruments sub-paragraph Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment the management of the Municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due and an assessment of their ability to make payments based on their credit worthiness. This is performed per service-identifiable categories across all classes of debtors.

Useful lives of property, plant and equipment intangible assets and investment property

As described in Accounting Policies 1.4 and the Municipality depreciates its Property, plant & Equipment and Investment Property and amortises its Intangible Assets over the estimated useful lives of the assets taking into account the residual values of the assets at the end of their useful lives which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

Impairment: Write-down of Property, plant & Equipment Intangible Assets Investment Property and Inventories

Accounting Policy 1.6 on Impairment of Assets Accounting Policy on Intangible Assets – Subsequent Measurement Amortisation and Impairment and Accounting Policy on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.1. Significant judgements and sources of estimation uncertainty (continued)

Significant estimates and judgements are made relating to impairment testing of Property, plant and Equipment impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realizable Value.

In making the above-mentioned estimates and judgement management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory Property, plant and Equipment Intangible Assets and Investment Property are disclosed in Notes 29 and to the Annual Financial Statements if applicable.

1.2 Revenue from non-exchange transactions

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

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Government Grants and Receipts

Conditional grants donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria conditions or obligations embodied in the agreement

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.2 Revenue from non-exchange transactions (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipalities interest it is recognised as interest earned in Surplus or Deficit.

Fines

Fines constitute both spot fines and summonses.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The Municipality uses estimates to determine the amount of revenue that the Municipality is entitled to collect that is subject to further legal proceedings.

Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment are brought into use.

1.2 Revenue from exchange transactions

Sale of goods (including Houses)

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

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

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.3 Revenue from exchange transactions (continued)

Service Charges

Service Charges are levied in terms of the approved tariffs.

Service Charges relating to **water** is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption based on the consumption history are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date an accrual is made based on the average monthly consumption of consumers.

Service Charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage and are levied based on the number of bins on each property.

Service Charges relating to **sewerage** for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption using the tariffs approved by Council and are levied monthly.

Sale of Water

Revenue from the sale of water prepaid meter cards are recognised at the point of sale. Revenue from the sales of water is recognised based on meter readings taken from conventional water meters as services consumed as at the reporting date.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

Finance income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.3 Revenue from exchange transactions (continued)

Interest earned on Councillors' Gratuity Fund is allocated directly to the Creditor: Councillors' Gratuity Fund.

Interest earned on unutilised Conditional Donations is allocated directly to the Creditor: Unutilised Public Donations if the unutilised donations are kept in a dedicated separate bank account

Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement where applicable.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Revenue from Agency services

Revenue for agency services is recognised on a monthly basis once there venue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

1.3 Property, plant and equipment

Initial Recognition

Property, plant and Equipment are initially recognised at cost.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. non-exchange transaction) the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequently all Property, plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.4 Property, plant and equipment (continued)

Depreciation

Depreciation on assets other than land is calculated on cost using the Straight-line Method to allocate their cost or revalued amounts to their residual values over the estimated useful lives

of the assets. 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 useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
Improvements Infrastructure	8 - 80
Roads and storm water	8 - 80
Sanitation	10 - 90
Solid waste	5 - 80
Water Community	10 - 90
Facilities Other	8 - 80
Computer equipment	4-8
Emergency equipment	5-6
Furniture and fittings	5-8
Motor vehicles	5-15
Office equipment	4-15
Plant & equipment	4-15
Specialized vehicles	5-15

Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

Derecognition

The gain or loss arising from the recognition of an item of Property, plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.4.1 The Municipality as Lessee

Finance leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or if lower the present value of the minimum lease payments each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments the Municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition the leased assets are accounted for in accordance with the stated accounting policies applicable to property plant and equipment or intangible assets. The lease liability is reduced by the lease payments which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating Leases

The Municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

1.4.2 The Municipality as a Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the Municipalities net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipalities net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.5 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

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

If there is any indication that an asset may be impaired the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists the recoverable amounts of those assets are estimated

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit

1.6 Impairment of non-cash-generating assets

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

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

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

If there is any indication that an asset may be impaired the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset the recoverable service amount of the non-cash-generating unit to which the asset belongs is determined.

The recoverable service amount of non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit prorata on the basis of the carrying amount of each asset in the unit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.7 Financial instruments

The Municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument. The Municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

1.8 Financial instruments (continued)

Recognised amounts currently exist and the Municipality intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of financial instruments are determined as follows:

- the fair values of quoted investments are based on current bid prices;
- the market for a Financial Asset is not active (and for unlisted securities) the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions reference to other instruments that are substantially the same discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs;

Classification

The entity has the following types of **financial assets** (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at cost

Trade and Other Receivables (excluding Value Added Taxation Prepayments and Operating Lease receivables) Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks net of bank overdrafts.

The entity has the following types of **financial liabilities** (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables under exchange transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.	

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

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 with 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 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 Liabilities:

At Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables Loans and Borrowings are classified as Other Liabilities) and are initially measured at Fair Value net of transaction costs Trade and Other Payables Interest-bearing Debt including Finance Lease Liabilities Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings consisting of interest-bearing short-term bank loans repayable on demand and over drafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise. Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets:

Financial Assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor).

If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made where by the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated based on historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors where the carrying amount is reduced with an allowance account. When a Consumer Debtor is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

Financial Assets Available-for-Sale

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired the cumulative loss that had been recognised directly in net assets shall be removed and recognised in Surplus or Deficit even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in Surplus or Deficit is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value less any impairment loss on that financial asset previously recognised in Surplus or Deficit.

Impairment losses recognised in Surplus or Deficit for an investment in an equity instrument classified as available-for-sale are not reversed through Surplus or Deficit.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in Surplus or Deficit the impairment loss must be reversed with the amount of the reversal recognised in Surplus or Deficit.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity 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.

Derecognition

Financial assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset the Municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Municipality derecognises Financial Liabilities when and only when the Municipalities obligations are discharged cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid including any non-cash assets transferred or liabilities assumed in Surplus or Deficit.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.8 Provisions and contingencies

The best estimate of the expenditure required to settle the present obligation is the amount that the Municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the Municipality supplemented by experience of similar transactions and in some cases reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract that is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

Decommissioning restoration and similar liability

Estimated long-term environmental provisions comprising rehabilitation and landfill site closure are based on the Municipalities policy taking into account current technological environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

The costs of all short-term employee benefits such as leave pay are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year-end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The Municipality provides retirement benefits for its employees. They are all defining contribution post-employment plans.

Post-employment benefits: Defined contribution plans

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.

1.10 Borrowing costs

The Municipality uses the Benchmark treatment of borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

1.11 Related parties

Individuals as well as their close family members and / or entities are related parties if one party has the ability directly or indirectly to control or jointly control the other party or exercise significant influence over the other party in making financial and or operating decisions. Management is regarded as a related party and comprises the Mayor Management Committee Members Council Members Chief Executive Officer and all other Strategic Executive Officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.12 Budget information

The annual budget figures have been prepared in accordance with the IPSAS and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over-or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation.

The approved budget covers the period from 1 July 2020 to 30 June 2021.

1.13 Going concern assumption

At 30 June 2021 the Municipality's Current Assets exceeded its Current liabilities. In addition the Municipality was not spared from the impact of Covid-19 and its related effects. However the Municipality has prepared the Annual Financial Statements under the Going Concern Assumption based on management assumptions as set out in Note 39 to the Annual Financial Statements.

1.14 Interest in joint ventures

1.15 Net assets

Statutory fund

The Housing Fund was established in terms of Section 58 of the Local Authorities Act 1992 (Act 23 of 1992). The Housing Fund contains all proceeds from housing developments which include proceeds of loans raised rental income redemption of loans granted sale of houses interest from investments and other moneys accruing to the fund. Unexpended moneys in the Housing

Funds that are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

Monies standing to the credit of the Housing Fund are used only for purposes of the construction acquisition or maintenance of dwellings; loans granted; repayment of loans raised; costs incurred in connection with the administration of housing schemes and any other purpose approved in writing by the Minister.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

ACCOUNTING POLICIES

1.16 Net assets (continued)

Accumulated Surplus

The Accumulated Surplus contains accumulated surpluses after appropriations to and from Statutory Funds.

1.16 Grants-In-Aid

The Municipality transfers money to individual's organisations and other sectors of government from time to time. When making these transfers the Municipality does not:

- a) Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- b) Expect to be repaid in future; or
- c) Expect a financial return as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

1.17 Value Added Tax (VAT)

The Municipality accounts for Value Added Tax in accordance with section 18 of the Value-Added Tax Act (Act No 10 of 2000).

1.18 Material losses

Due to their significance the complete calculation of water and electricity losses is provided including the opening balance purchases sales and closing balance where applicable. For electricity the unit rate is the rate per the last purchase for the financial year. For water the unit rate is measured based on the Weighted Average Method as defined by IPSAS 12 (Inventories).

1.19 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE
(Continued)

2. Change in accounting estimate

Property, plant and equipment

The residual values estimated useful lives and depreciation method were reviewed at 30 June 2019. Adjustments to the residual values and useful lives affect the amount of depreciation for the previous year and are expected to affect future periods as well. The adjustments are as follows:

3. Revenue

	2021	2020
	N\$	N\$
	111 968 104	98 625 567
Rendering of services	852 662	582 015
Service charges	68 748 319	54 877 269
Surcharges and related	2 791 173	4 496 978
Rental of facilities and equipment	700 255	737 487
Miscellaneous other revenue	75 504	28 607
Other income - (rollup)	3 747 356	4 252 322
Interest received – investment	7 677 908	6 727 021
Property rates	25 150 747	26 921 868
Other taxation revenue 1	-	2 000
Transfers from other government entities	2 224 180	-
The amount included in revenue arising from exchanges of goods or services are as follows:	84 593 177	71 701 699
Service charges	68 748 319	54 877 269
Rendering of services	852 662	582 015
Royalty income	2 791 173	4 496 978
Rental of facilities and equipment	700 255	737 487
Miscellaneous other revenue	75 504	28 607
Other income - (rollup)	3 747 356	4 252 322
Interest received – investment	7 677 908	6 727 021
The amount included in revenue arising from non-exchange transactions is as follows:	27 374 927	26 923 868
Taxation revenue		
Property rates	25 150 747	26 921 868
Other taxation revenue 1	-	2 000
Transfer revenue		
Transfers from other government entities	2 224 180	-

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

4. Service charges

	2021	2020
	N\$	N\$
	68 748 319	54 877 269
Sale of water	50 205 065	38 521 496
Sewerage and sanitation charges	11 211 800	9 099 642
Refuse removal	7 331 454	7 256 131

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

5. Rental of facilities and equipment

	700 255	737 487
Rental of Premises	436 305	592 666
Rental of town land and open spaces	36 627	45 957
Rental income of Billboards	187 514	60 187
Rental of facilities	39 809	38 677

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

6. Other income

	3 747 356	4 252 322
Better and endowment fees	3 570	146 032
Building plans	366 589	430 965
Prepaid water meters installation	(4 627)	40 457
Registration of business	340 237	303 531
Sundries	2 983 140	3 291 791
Wood and sand permits	58 447	39 546

7. Interest received - investment

	7 677 908	6 727 021
Bank	408 958	552 997
Interest charged on trade and other receivables	7 268 950	6 174 024

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

8. Employee related costs

	2021	2020
	N\$	N\$
	39 059 692	39 820 773
Basic	20 140 999	20 769 580
Bonus	1 613 800	1 564 819
Medical aid - company contributions	3 617 890	3 680 673
Social Security	193 160	170 648
Leave pay provision charge	5 876	166 420
Defined contribution plans	4 078 627	4 049 706
Overtime payments	1 746 640	1 919 432
Car allowance	1 276 805	1 314 666
Housing benefits and allowances	6 155 802	6 000 517
Other allowances	230 093	184 312

9. Chief Executive Officer

	623 721	1 198 552
Annual Remuneration	181 201	590 269
Car Allowance	33 903	114 475
13th Cheque	44 613	49 026
Contributions to UIF Medical and Pension Funds	54 416	174 048
Housing allowance	72 48	236 108
Other allowances/payout	237 108	34 626

Chief Executive Officer (Martha Mutilifa) only worked for three months and 12 days in the financial year (from 01 July 2020 until 12 October 2020) after which the contract of employment came to an end. The contract was not extended further and an acting CEO was appointed from amongst the available senior staff complement.

10. Strategic Executives (1) and Managers (5)

	6 067 343	4 989 999
Annual Remuneration	3 112 297	2 549 785
Car Allowance	541 838	459 965
13th Cheque	235 113	211 776
Contributions to UIF Medical and Pension Funds	860 047	735 529
Housing allowance	1 235 683	912 989
Other allowances/payout	82 365	119 955

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

11. Remuneration of Councillors

	2021	2020
	N\$	N\$
	348 031	-
Major	58 864	-
Deputy Mayor	51 619	-
MC Chairperson	53 800	-
Management Committee Members	94 837	-
Councilors	88 911	-

In-kind benefits

The Councillors may utilise official Council transportation when engaged in official duties. The Mayor has use of a Council owned vehicle for official duties and another Municipal vehicle which also may be used by the Deputy Mayor when representing the Mayor.

Note: The Council allowances are for period starting December 2020 to June 2021 as prior that the Municipality was under a caretaker appointed by the Minister of Urban and Rural Development after he relieved all Councillors their duties.

12. Depreciation and amortisation expense

	6 104 198	5 784 473
Investment property	3 901 603	3 888 479
Intangible assets	2 202 595	1 895 994

13. General expenses

	8 867 200	11 017 318
Advertising	130 275	35 568
Bank charges	680 290	564 537
Catering & Entertainment Cost	58 837	20 314
Cleaning	1 091 673	2 856 072
Computer expenses	-	10 117
Consulting and professional fees	775 395	349 683
Electricity	596 612	1 003 148
Fleet	369 278	970 243
Fuel and oil	693 606	313 435
Hiring of Facilities & Equipment	1 495 779	1 270 675

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2021	2020
	N\$	N\$
	2 975 455	2 893 416
Insurance	760 616	795 698
Cemetery parks and gardens	61 939	84 150
Conference expenses	11 048	11 336
Promotional materials	160	12 150
Postage courier and telephone	1 109 843	1 236 113
Printing and stationery	577 624	501 899
Protective clothing	130 288	730 11
Sewerage and waste disposal	-	5 970
Subscriptions and membership fees	53 849	68 609
Tourism development	7 830	1000
Training	138 497	783
Travel – local	123 761	168 564
Travel – overseas	-	7 144

14. Interest Paid

	298 575	396 690
Non-current borrowings	211 504	-
Trade and other payables	87 071	396 690

15. Operating deficit

Operating deficit for the year is stated after accounting the following:

	1 495 779	1 270 675
Operating lease charges		
Premises		
Contractual amounts	245 994	6 400
Equipment		
Contractual amounts	211 815	212 751
Plant and equipment		
Contractual amounts	1 037 970	1 051 524
Depreciation on property plant and equipment	11 188 437	8 254 614
Employee costs	39 059 692	39 820 773

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

16. Rental of facilities and equipment

	2021	2020
	N\$	N\$
Facilities and equipment	263 950	144 821
Rental of facilities	76 436	84 634
Rental income Type 3_5	187 514	60 187
Premises	-	-
Garages and parking	-	-
Facilities and equipment	263 95	144 821

17. Investment revenue

Interest revenue	7 677 908	6 727 021
Bank	408 958	552 997
Interest charged on trade and other receivables	7 268 950	6 174 024

18. Remission to National Treasury

Realised surplus	(9 806 594)	(16 115 195)
Deficit for the year	(17 263 330)	(20 350 572)
Purchase of assets	7 456 736	4 235 377

90% of released profit **(8 825 935)** **(14 503 676)**

19. Cash and cash equivalents

	16 761 101	1 303 330
Cash on hand	160	160
Bank balances	646 668	-
Short-term deposits	16 114 273	13 769 483
Bank overdraft	-	(12 466 313)

For the purposes of the Statement of Financial Position and the Cash Flow Statement Cash and Cash Equivalents include Cash-on-Hand Cash in Banks and Investments in Money Market Instruments net of outstanding Bank Overdrafts.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

No other restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

Short-term deposits consist of Call Deposits and Fixed deposits:

Call and Notice Deposits

Fixed Deposits

Fixed Deposits are fixed term investments with a maturity period of less than 12 months and earn interest rates varying from 5.90% to 8.25% (2018: 8.03% to 8.25%) per annum.

20. VAT receivable

VAT is payable in terms of Section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment whichever is the earlier.

No interest is payable to the Commissioner of Inland Revenue if the VAT is paid over timeously but interest for late payments is charged in accordance with the Value-Added Tax Act. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

21. Receivables from exchanges transactions

	2021	2020
	N\$	N\$
	10 739 985	21 058 157
Trade debtors	10 726 571	21 044 743
Employee costs in advance	13 414	13 414

Receivables from Exchange Transactions are billed monthly latest end of month. No interest is charged on Receivables until the end of the following month. There after interest is charged at a rate determined by Council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality did not pledge any of its Receivables as security for borrowing purposes. Allowance for Impairment:

At 30 June 2021 Receivables from Exchange Transactions of N\$ 169 374 847 (30 June 2020: N\$ 132 041 642) were impaired and fully provided for.

THE MUNICIPALITY OF OKAHANDJA
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
 (Continued)

22. Property, plant and equipment

Company	Cost	Accumulated	Carrying	Cost	Accumulated	Carrying
	Valuation	depreciation and accumulated impairment		Valuation	depreciation and accumulated impairment	
	N\$	N\$	N\$	N\$	N\$	N\$
Plant and machinery	106 435 268	(28 772 563)	77 662 705	98 978 531	(17 584 126)	81 394 405

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Plant and machinery	81 394 405	7 456 736	(11 188 436)	77 662 705

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Depreciation	Total
Plant and machinery	85 413 643	4 235 377	(8 254 615)	81 394 405

23. Payables under exchange transactions

	2021	2020
	N\$	N\$
	34 515 968	18 327 360
Trade payables	22 250 952	6 326 715
Leave Provision	6 857 070	6 851 195
Employees related payables	251 444	251 444
Deposits received	2 618 471	2 571 479
Overdue Government loans	2 538 031	2 326 527

Staff Leave:

Leave accrues to the staff of the Municipality on an annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

The Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the Municipality

23. Payables from Non-exchange Transactions

	2021	2020
	N\$	N\$
	4 197 864	2 851 650
Amounts payable to the Regional Council	3 788 559	2 442 466
Expo and trade fair	409 305	409 184

24. Cash generated from (used in) operations

Cash generated from (used in) operations	23 069 376	(8 477 388)
Deficit	(17 263 330)	(20 350 572)
Adjustments for:		
Depreciation and amortisation expense	11 188 437	8 254 614
Debt impairment	37 333 205	30 122 612
Direct adjustments to net assets (cash)	(2 610 887)	(18 384 420)
Changes in working capital:		
Receivables from exchange transactions	10 318 172	17 146 972
Debt impairment	(37 333 205)	(30 122 612)
Other receivables from non-exchange transactions	-	752
Payables under exchange transactions	16 188 603	1 906 764
VAT	3 902 167	2 946 724
Taxes and transfers payable (non-exchange)	1 346 214	1 778

25. Risk management

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The entity's activities expose it to a variety of financial risks: market risk credit risk and liquidity risk. Risks and exposures are disclosed as follows:

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

25. Risk management (continued)

Credit risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipalities receivables from customers and investment securities. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipalities exposures of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments long-term receivables consumer debtors other debtors' bank and cash balances.

Investments/Bank Cash and Cash Equivalents

The Municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with locals Banks. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates water and electricity services rendered to them.

The Municipality limits this risk exposure in the following ways in addition to its normal credit control and debt management procedures:

- The application of the Credit Control Policy which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised prior to the issue of a clearance certificate that the property will not be transferred until the full settlement of any debt remaining from the previous owner;

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

25. Risk management (continued)

- The consolidation of rates and service accounts enabling the disconnecting services for the non-payment of any of the individual debts;
- The requirement of a deposit for new service connections serving as guarantee and are reviewed annually;
- Encouraging residents to use water and electricity wisely by monitoring consumption.

There were no material changes in the exposure to credit risk and its objectives policies and processes for managing and measuring the risk during the year under review. The Municipalities maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position without taking into account the value of any collateral obtained.

The Municipality has no significant concentration of credit risk with exposure spread over a large number of consumers and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payments of accounts of consumer debtors who are unable to pay are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counter parties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that although these parties are the 5 counter parties with highest outstanding balances no significant credit risk exposure exists based on the payment history of the parties.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

25. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated these ratings are used. Otherwise if there is no independent rating risk control assesses the credit quality of the customer taking into account its financial position past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

	2021	2020
	N\$	N\$
Maximum Credit and Interest Risk Exposure	209 365 559	183 236 270
Trade and other receivables from exchange transactions (cost)	192 604 458	169 466 627
Cash and cash equivalents	16 761 101	13 769 643

26. Going concern.

Management considered the following matters relating to the Going Concern:

Strict daily cash management processes are embedded in the Municipalities operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.

As the Municipality has the power to levy fees tariffs and charges this will result in an ongoing inflow of revenue to support the ongoing delivery of Municipal services.

The Municipality of Okahandja is one of the big Councils in Otjozondjupa and it is in public interest that the Municipality remains solvent and continue as a going concern.

Taking the aforementioned into account management has prepared the Annual Financial Statements on the Going Concern Basis.

27. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

28. Utilisation of Long-term liabilities reconciliation

Long-term liabilities have been utilized in accordance with the Local Authorities Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.