



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF OKAHANDJA**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**





**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 2022 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 No. 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 June 2024**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
OKAHANDJA MUNICIPALITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

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**1. DISCLAIMER OF AUDIT OPINION**

I have audited the financial statements of the Municipality of Okahandja for the financial year ended 30 June 2022. These financial statement comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets Statement of Cash Flows, Notes to the Annual Financial Statement 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 audit opinion on the financial statement.

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

I conducted the audit in accordance with International Standards for Supreme Audits Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement 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 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 insufficient and inappropriate to provide a basis for an audit opinion. A disclaimer audit opinion is being expressed due to the following:

**2.1 Accounting framework**

The Municipality did not comply with IPSAS 33, paragraph 5.

*“which state that at the end of the transitional period a first-time adopter must comply with the recognition measurement presentation and disclosure requirements in the other accrual basis IPSAS in order to assert compliance with accrual basis IPSASs as required in IPSAS 1 Presentation of Financial Statements.”*

It is recommended that the Municipality should ensure that the financial statement is prepared and presented in accordance with IPSAS standard.

**2.2 Restatement 2021 financial statements**

There is no disclosure in the financial statements of the impact of the restatement of prior period balances of N\$ 9 451 975, N\$ 31 140 319, N\$ 2 044 000 and N\$ 4 769 914 in respect of VAT receivable, payables under exchange transactions, government loans and the housing fund respectively as presented on the statement of financial position.

It is recommended that the impact of prior period restatements should be disclosed in the financial statements in accordance with IPSAS 3, paragraph 54.

*“Which requires disclosure of nature of the prior period error the amount of the correction for each financial statement line item affected amount of the correction at the beginning of the earliest prior period presented and retrospective restatement is impracticable for a particular prior period the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.”*

### **2.3 Property, plant and equipment**

There is an unexplained difference of N\$ 10 179 360 between the financial statements N\$ 82 151 463 and the fixed assets register N\$ 71 972 103. The fixed assets register imposed the following limitations on the audit:

- Some assets are not in the books (land for Municipal buildings and open spaces);
- Investment properties are not yet separated from property, plant and equipment;
- Date of acquisition is not reflected;
- Accumulated depreciation is not reflected;
- Assets are classified/grouped by department and not by nature; and
- There are no asset identification details which create challenges with implementing controls.

The disclosure of property plant and equipment is not fully compliant with IPSAS 17 in the sense that the relevant categories of assets are not presented instead all assets are classified as plant and machinery which excludes land buildings computer and office equipment and various infrastructure network.

The value of open spaces of land owned by the municipality is not included in the carrying amount of property, plant and equipment since the valuation of all assets is still ongoing hence the fair value could not be determined as at year-end therefore assets are not presented at fair values and completely.

Consequently, the auditors were not able to confirm the existence, completeness, accuracy and valuation, presentation and disclosure of the reported balance of N\$ 82 151 463.

It is recommended that the development of the new fixed asset register should be expected and once the process is completed, the general ledger should be updated accordingly. Furthermore, it is recommended that the investment properties should be separated from property, plant and equipment, and be depreciated accordingly. In addition, the fixed assets register should be reconciled to the general ledger on a regular basis.

### **2.4 Value Added Tax (VAT) receivable**

There is an unexplained difference of N\$ 5 727 968 on the VAT reconciliation taking into account the corrected opening balance. Furthermore, the Municipality could not demonstrate the recoverability of the VAT receivable per financial statements due to lack of reconciliation with the Namibia Revenue Agency (NamRA) records or statement.

Consequently, the auditors were not able to satisfy themselves with the existence, accuracy and valuation of the reported balance.

It is recommended that the Municipality ensure that opening balances should be correctly carried forward to the new year. Furthermore, the balance of the VAT control account should be reconciled to the NamRA statement on a regular basis.

## **2.5 Inventories**

Auditors observed that the municipality did not perform an inventory count amounting to N\$ 44 000 at year-end related to the inventory valuation owing to the inadequate record keeping the auditors were not able to verify the physical quantities of inventories.

Furthermore, the Municipality did not report inventory in relation to land serviced (in the process of sale) and as a result it is not compliant with IPSAS 12, paragraph 9.

*“Which states that 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.”*

It is recommended that an inventory count at each year-end for all categories (consumables water and erven or land for sale) should be counted and valued appropriately, and included in the financial statements.

## **2.6 Trade receivables**

There was an unexplained difference of N\$ 5 553 835 between the trade receivables as per financial statements and the aging report. Furthermore, trade debtors are disclosed net of the provision contrary to the requirements of IPSAS 30, paragraph 20.

*“Which states that when financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.”*

Consequently, the auditors were not able to satisfy themselves with the existence, completeness, accuracy and valuation, presentation and disclosure of the reported balance.

It is recommended that Municipality should ensure that the aging report is reconciled to the debtors control account (in the general ledger) on a monthly basis. Any differences noted should be investigated and corrected.

## **2.7 Bank reconciliation**

The bank reconciliation of the operating account was not correct as it included material outstanding payments and deposits amounting to N\$ 12 283 974 and N\$ 2 462 932 respectively, without a break down as well as post year- end transactions. The auditors were not able to determine all the adjustments that were necessary. Consequently, the auditors were not able to satisfy themselves with the existence, completeness, accuracy and valuation, presentation and disclosure of the reported balance.

It is recommended that the Municipality should ensure that relevant staff members are trained to perform bank reconciliations. Secondly, bank reconciliations should be done monthly and reviewed by a knowledgeable person.

## **2.8 Controls over the housing loans (receivables)**

Despite having bank accounts for the Build Together Scheme with balances amounting to N\$ 2 468 605, the related loans are not reflected in the financial statements owing to inadequate and or lack of record keeping. Consequently, the auditors were not able to verify the existence, completeness, accuracy and valuation of the housing loans.

It is recommended that Municipality should ensure that housing loans are recorded in the books of the Municipality and be included in future financial statements.

## **2.9 Retained income**

No supporting documents were provided for adjustments of N\$ 20 247 256 credited to the retained income account and without prior period restatement as required by IPSAS 3, paragraph 47 and 48.

Payments amounting to N\$ 7 929 438 relating to the prior period transactions were debited to the retained income account prior period restatement as required by IPSAS 3, paragraph 47 and 48.

*Which states that “an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented restating the opening balances of assets liabilities and net assets/equity for the earliest prior period presented. Paragraph 48 states that prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error.”*

Consequently, the auditors were not able to confirm the accuracy, valuation, presentation and disclosure of the reported balance.

It is recommended that the Municipality should correct prior period errors in accordance with IPSAS 3, paragraph 47 and 48. Furthermore, all journals should have supporting documents reviewed and approved by the relevant supervisor prior to processing on the system.

## **2.10 Investment in the joint venture**

There is no disclosure of the accounting policy for Joint Ventures though the related balance is material as required by IPSAS 36, paragraph 22 which states;

*“which states that an entity with joint control of or significant influence over an investee shall account for its investment in associate or joint venture using equity method except when it qualifies for exemption in accordance with paragraphs 23 to 25.*

Consequently, the auditors were not able to confirm the accuracy, valuation, presentation and disclosure of the reported balance.

It is recommended that the investment in the joint ventures should be accounted for using equity accounting as guided and in accordance with IPSAS 36.



### **2.11 Impairment of receivable from the OKH-Censored JV**

No provision for bad debts was made for the receivable from OKH-Censored JV of N\$ 16 131 806 despite the fact that the debtor is commercially and technically insolvent. Consequently, the auditors were not able to confirm the valuation, presentation and disclosure of the reported balance.

It is recommended that the Municipality management should perform impairment tests on its receivables at each year-end and make the provision accordingly.

### **2.12 Creditors reconciliations**

There is an unexplained difference of N\$ 4 199 377 between the general ledger balance of N\$ 15 267 707 and the creditors listing balance of N\$ 11 068 330 (owing to lack of GL reconciliation). Furthermore, there were no reconciliations of individual creditors' accounts and material audit differences could not be explained.

Consequently, the auditors were not able to confirm the existence, completeness, accuracy and valuation of the reported balance of N\$ 15 267 707.

It is recommended that Municipality control accounts are reconciled to the listing on a monthly basis. Furthermore, individual creditors accounts should be reconciled to the supplier statements on a monthly basis, and be reviewed by the relevant supervisor.

### **2.13 Self-billings**

Included in debtors from exchange transactions are self-billings debtors amounting to N\$ 720 621 which is a violation of the conceptual framework which provides that revenue and debtors are only recognized in respect of transactions with third parties. Consequently, the auditors were not able to confirm the existence and validity of the reported balance of N\$ 720 621.

It is recommended that the Municipality should adhere to conceptual framework on the existing debtors' balances in respect of self-billings. Moreover, credit notes should be issued monthly to write-off self-billings revenue and debtors.

### **2.14 Unauthorised tariffs**

Unauthorised tariff rates were used on sewerage, refuse, water, rates and taxes since tariff rates on the billing master file were not in line with the gazetted rates, consequently, customers were incorrectly billed during the year. In addition, from December 2021 tariffs used to levy taxes were based on in-house rates approved by Council and without approval of the line Ministry and not on the Government gazette.

Consequently, the auditors were not able to confirm the accuracy and valuation of the reported for rates and taxes as well as service charges revenue amounting to N\$ 96 357 539.

It is recommended that Municipality should ensure that billing master-file is reviewed for accuracy each time the updates are done.

## **2.15 Interest on arrears**

Interest was charged on arrear debtors at 5% per annum as per the billing master file, despite the fact that it is not provided for in the Government gazette. Consequently, the auditors were not able to confirm the occurrence, accuracy and valuation of the reported revenue.

It is recommended that in future the interest rate should be included in the credit policy

## **2.16 Other financial liabilities**

The supporting documents of other financial liabilities amounting to N\$ 2 044 000 were not provided for audit purposes. Furthermore, there is no disclosure of the terms of the liability in these financial statements. Consequently, the auditors were not able to satisfy themselves with the accuracy and valuation presentation and disclosure of the reported balance.

It is recommended that Municipality should ensure that supporting documents are made available for audit purpose.

## **2.17 Water sales**

The auditors were not provided with 9 meter cards out of the 31 sampled and billings were not done on some of the accounts sampled.

Consequently, the auditors were not able to confirm the occurrence, completeness, accuracy and valuation of the reported water sales revenue of N\$ 45 846 751.

It is recommended that the Municipality should retain all meter-reading cards for accountability purposes and dispute resolution. Furthermore, the billing run should be reviewed monthly to ensure accuracy and completeness.

## **2.18 Statement of cash flows**

The statement of cash flows includes material non-cash flow items and there were no reconciliations provided to support the movement of net assets of N\$ 2 850 284 and other balancing figures. Consequently, the auditors were not able to verify the presentation and disclosure of the statement of cash flows.

It is recommended that the Municipality should include only cash flow items on the statement of cash flows and all other movements should be reconciled and disclosed appropriately.

## **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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work, I have performed I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

#### **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 Municipalities 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.

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

#### **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 a 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 based on 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 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 audit report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit;
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards; and

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.



**WINDHOEK, June 2023**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**MUNICIPALITY OF OKAHANDJA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

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**GENERAL INFORMATION**

Country of incorporation and domicile	Namibia
Legal form of entity	Part II Municipality in terms of Section 3 of Local Authorities Act 1992 (Act 23 of 1992)
Nature of business and principal activities	Principal activities of Municipality of Okahandja are: <ul style="list-style-type: none"> <li>• providing its residents with equitable municipal services;</li> <li>• ensuring sustainable service delivery to all its inhabitants; and</li> <li>• promoting social and economic development within the municipal area.</li> </ul>
<b>Council</b>	
Mayor	Issaskar Katuuu (3 December 2020)
Councillors	Vincent Kariseb - Chairperson of MC (3 December 2020) Charl Coetzee – (3 December 2020) Beatrice Kotungondo (3 December 2020) Isaskar Katuuu (3 December 2020) Kaunapawa Philemon (3 December 2020) Akser Aupindi (3 December 2020) Natasha Brinkman - (3 December 2020)
Grading of local authority	Part II of Schedule 1 of Local Authorities Act (Act 23 of 1992)
Chief Executive Officer (Accounting Officer)	Alphons Tjitombo
Management team	Pesella Nunda
Registered office	Okahandja
Postal address	PO Box 15 Okahandja Namibia
Auditors	Auditor General

**MUNICIPALITY OF OKAHANDJA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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**MUNICIPALITY OF OKAHANDJA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

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**ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

The Accounting Officer is required by the Local Authorities Act 1992 (Act 23 of 1992) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) including any interpretations guidelines and directives issued by the Public Sector Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Council and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities he sets standards for internal control aimed at reducing the risk of error in a cost effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Council and all employees are required to maintain the highest ethical standards in ensuring the Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the council is on identifying assessing managing and monitoring all known forms of risk across the Council. While operating risk cannot be fully eliminated the Council endeavours to minimise it by ensuring that appropriate infrastructure controls systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages 12 to 17 which have been prepared on the going concern basis were approved by the Accounting Officer on the February 25, 2023 and were signed by:

Approval of financial statements

Alphons Tjitombo  
Chief Executive Officer

Pesella Nunda  
Strategic Executive: Finance IT and Asset Management

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

ASSETS		2022	2021
	Note	N\$	N\$
<b>Current assets</b>		<b>56 583 163</b>	<b>36 953 061</b>
Cash and cash equivalents	15	9 051 287	16 761 101
VAT receivable		7 811 211	9 451 975
Receivables from exchange transactions		39 676 665	10 739 985
Inventories		44 000	-
<b>Non-current assets</b>		<b>106 280 835</b>	<b>101 792 072</b>
Property, plant and equipment	19	82 151 468	77 662 705
Interest in joint ventures		24 129 367	24 129 367
Non-current assets held for sale			
<b>Total Assets</b>		<b>162 863 998</b>	<b>138 745 133</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>47 979 407</b>	<b>35 338 183</b>
Payables under exchange transactions	20	39 138 891	31 140 319
Payables from non-exchange transactions	21	7 133 131	4 197 864
Bank overdraft	15	1 707 385	-
<b>Non-current liabilities</b>		<b>2 044 000</b>	<b>2 044 000</b>
Other financial liabilities		2 044 000	2 044 000
<b>Total liabilities</b>		<b>50 023 407</b>	<b>37 382 183</b>
<b>Reserves</b>		<b>112 840 591</b>	<b>101 362 950</b>
Housing Fund	22	4 794 900	4 769 917
Accumulated surplus		108 045 691	96 593 033
<b>Total Assets</b>		<b>162 863 998</b>	<b>138 745 133</b>



## ANNEXURE B

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

	Note	<b>2022</b>	<b>2021</b>
		N\$	N\$
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Taxation revenue			
Property rates and taxes		33 554 577	25 150 747
Fines		8 326	-
<b>Transfer revenue</b>			
Transfers from government and related entities	2	2 666 423	5 145 875
<b>Total Revenue from non-exchange transactions</b>		<b>36 229 326</b>	<b>30 296 622</b>
<b>Revenue from exchange transactions</b>			
Service charges	3	62 802 963	68 748 319
Rendering of services		514 007	852 662
Construction contracts		5 263 107	2 791 173
Rental of facilities and equipment usage	4	988 496	700 255
Interest earned (trading)		940 367	-
Miscellaneous other revenue		45 618	75 504
Other revenue	5	2 163 671	825 662
Government grants		1 012 359	-
Interest earned on outstanding debtors	6	12 099 891	7 677 908
<b>Total revenue from exchange transactions</b>		<b>85 830 479</b>	<b>81 671 483</b>
<b>Total revenue</b>		<b>122 059 805</b>	<b>111 968 105</b>
<b>Expenses</b>			
Bulk purchases		24 332 454	25 189 010
Employee costs	7	40 336 787	39 059 692
Remuneration of Muniucipalityors	10	3 439	-
Depreciation and amortisation expense		12 897 889	11 188 437
Repairs and maintenance		2 740 499	4 572 721
Contracted services		2 325 539	2 101 880
Debt impairment		27 696 852	37 333 205
General expenses	11	12 381 782	9 241 920
Interest paid	12	288 169	544 568
<b>Total expenses</b>		<b>123 003 410</b>	<b>129 231 433</b>
<b>Surplus (deficit) for the year</b>		<b>*(943 545)</b>	<b>(17 263 328)</b>

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

	<b>Housing Fund</b>	<b>Accumulated surplus</b>	<b>Total net assets/equity</b>
	N\$	N\$	N\$
<b>Balance at 1 July 2020</b>	<b>6 199 078</b>	<b>116 648 569</b>	<b>122 847 647</b>
Changes in net assets/equity			
Direct adjustment to net assets	181 321	(2 792 208)	(2 610 887)
Net income(losses) recognised directly in net assets	181 321	(2 792 208)	(2 610 887)
Deficit for the year	-	(17 263 328)	(17 263 328)
Total net surplus(deficit) for the period	181 321	(20 055 536)	(19 874 215)
Other	-	77 475	77 475
Transfer of income surplus to Housing Fund	(1 610 482)	-	(1 610 482)
Total changes	(1 429 161)	(19 978 061)	(21 407 222)
<b>Balance at 1 July 2021</b>	<b>4 769 917</b>	<b>96 670 508</b>	<b>101 440 425</b>
Changes in net assets/equity			
Deficit for the year	-	*(943 545)	(943 545)
Transfer of income surplus to Housing Fund	24 983	-	24 983
Prior year adjustments		12 318 728	12 318 728
<b>Total changes</b>	<b>24 983</b>	<b>11 375 183</b>	<b>11 400 166</b>
<b>Balance at 30 June 2022</b>	<b>4 794 900</b>	<b>108 045 691</b>	<b>112 840 591</b>

## THE MUNICIPALITY OF OKAHANDJA

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE

	Note	2022 N\$	2021 N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>81 418 909</b>	<b>92 230 886</b>
Property taxes and other		33 562 903	25 150 747
Sale of goods and services		32 077 333	57 178 051
Government grants and subsidies		3 678 782	2 224 180
Interest received		12 099 891	7 677 908
<b>Payments</b>		<b>(83 020 354)</b>	<b>(69 161 508)</b>
Compensation to employees		(40 340 226)	(39 059 692)
Suppliers		(42 391 959)	(29 557 248)
Interest paid		(288 169)	(544 568)
<b>Net cash flows from operating activities</b>	24	<b>(1 601 445)</b>	<b>23 069 378</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property plant and equipment		(7 815 755)	(7 456 736)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		-	(154 873)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(9 417 200)</b>	<b>15 457 769</b>
CASH AT THE BEGINNING OF THE YEAR		16 761 101	1 303 332
<b>TOTAL CASH AT THE END OF YEAR</b>		<b>7 343 901</b>	<b>16 761 101</b>

## ANNEXURE E

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

	Approved budget	Final budget	Actual amounts on comparable basis	Difference between budget and actual	Reference
	N\$	N\$	N\$	N\$	
<b>Statement of financial position</b>					
<b>Revenue</b>					
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Taxation revenue	39 660 000	39 660 000	33 554 577	(6 105 423)	1
Other taxation revenue	48 000	48 000	8 326	(39 674)	2
<b>Other revenue</b>					
Transfer from other government entities	2 721 500	2 721 500	2 666 423	(55 077)	
<b>Total revenue from non-exchange transactions</b>	<b>42 429 500</b>	<b>42 429 500</b>	<b>36 229 326</b>	<b>(6 200 174)</b>	
<b>Revenue from exchange transactions</b>					
Land sales	3 000 00	3 000 00	-	(3 000 000)	3
Service charges	76 301 063	76 301 063	62 802 963	(13 498 100)	4
Rendering of services	1 249 106	1 249 106	514 007	(735 099)	5
Surcharges and interest	8 500 000	8 500 000	5 263 167	(3 236 833)	6
Rental of facilities and equipment	1 171 353	1 171 353	988 496	(182 857)	7
Interest received (trading)	-	-	940 367	940 367	8
Miscellaneous other revenue	11 435	11 435	45 618	34 183	9
Other revenue	5 088 498	5 088 498	2 163 671	(2 924 827)	10
Government grants	14 764 589	14 764 589	1 012 359	(13 752 230)	11
Interest earned – external investments	7 203 695	7 203 695	12 099 891	(4 896 196)	12
<b>Total revenue from exchange transactions</b>	<b>114 589 739</b>	<b>114 589 739</b>	<b>85 830 539</b>	<b>(41 251 592)</b>	

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

	Approved budget	Final budget	Actual amounts on comparable basis	Difference between budget and actual	Reference
	N\$	N\$	N\$	N\$	
<b>Total revenue</b>	<b>157 019 239</b>	<b>157 019 239</b>	<b>122 059 865</b>	<b>(47 451 766)</b>	
<b>Expenditure</b>					
Bulk purchases	(26 893 483)	(26 893 483)	(24 332 454)	2 561 029	
Employee costs	(56 973 475)	(56 973 475)	(40 336 787)	16 636 688	13
Remuneration of Municipalityors	(439 000)	(439 000)	(3 439)	435 561	14
Depreciation and amortisation	-	-	(12 897 889)	(12 897 889)	15
Repairs and maintenance	(7 436 346)	(7 436 346)	(2 740 499)	4 695 847	16
Contracted services	(2 690 000)	(2 690 000)	(2 325 539)	364 461	17
Debt impairment	(7 960 000)	(7 960 000)	(27 696 852)	(19 736 852)	18
General expenses	(20 848 374)	(20 848 374)	(12 381 782)	8 466 592	19
Interest paid	(234 572)	(234 572)	(288 169)	(53 597)	20
<b>Total expenditure</b>	<b>(123 475 250)</b>	<b>(123 475 250)</b>	<b>(123 003 410)</b>	<b>471 840</b>	
<b>Deficit for the year</b>	<b>36 243 989</b>	<b>36 243 989</b>	<b>(943 545)</b>	<b>(47 923 606)</b>	
Actual amount on comparable basis as presented in the budget and actual comparative statement	<b>36 243 989</b>	<b>36 243 989</b>	<b>(943 545)</b>	<b>(47 923 606)</b>	

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

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**Note:** 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.

1. Actual rates and taxes are below budget as the General Valuation roll for the financial year 2021 was implemented February 2022 after tariffs were reviewed in October 2021, and the Government gazette was published on the 1st of December 2021, therefore rates and taxes based on the new roll and tariffs was only from February 2022 to June 2022, which was only 5 months.
2. Total fines for the period was only N\$ 8 326 as regulations and bylaws are difficult to enforce due to a lack of peace officers.
3. No land sales were realized in the financial year 2022 as Council has been without a Property and Land Officer to spearhead property related transactions.
4. Service charges realized for the financial year were 17% lower than the budgeted service charges due to a reduction in the sales of water which accounts for more than 74% of total service charges.
5. Rendering of services was over budgeted for as a result 42% of the forecasted income could not be realized.
6. Surcharges and interest on irredeemable loans was 38% lower the budgeted amount as Directors of Cenored Okahandja JV Pty Ltd has resolved to cut the interest on irredeemable loans due to financial distress experienced by the company.
7. Rental of facilities was 15% less than the budgeted amount due to a reduction in the demand for council facilities as well as rental income not realized in informal settlements where site rent is applicable but could be implemented due to a lack of capacity.
8. Interest on irredeemable loans separately disclosed was budgeted together with surcharges.
9. Miscellaneous and other revenue is revenue items that are posted directly to general ledger as they are not necessarily connected to consumer accounts therefore in this case it was under budgeted as accurate forecast could not be determined.
10. Other revenue was over budgeted as actuals were only 43% of budgeted amount as an accurate forecast could not be determined.
11. Government grants were cut during the midterm budget reviews and not correspondence was provided to communicate the budget cuts.
12. Due to non-payment of accounts more income on receivables was realised during the financial year.

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

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13. Employee costs were below budget as Council continues to operate with many vacancies unfilled and the line Ministry did not grant approval for salary increases proposed in the budget.
14. Remuneration to Councillors is included in the total employee costs therefore it shows as if it was not fully expensed. This was due to the payroll system that posts Municipality remunerations to salaries.
15. Depreciation was not budgeted for in the financial year 2022.
16. Repairs and maintenance were lesser as most items planned for maintenance could not be implemented due to lower income realized than expected.
17. A contracted service which is mostly security services was 13% as anticipated increments were not implemented by the contractor.
18. Debt impairment was under budgeted for.
19. General expenses votes could not be fully implemented as budgeted due to lower income realized for the financial year.
20. Interest paid was under budgeted for by 22%.

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

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**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 1992 (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's are provided below. The Municipality awarded the bid for the compilation of IPSAS compliant asset register in November 2022 to Tulive Capital Pty Ltd. This will assist in ensuring that AFS submitted after the transitional periods are IPSAS compliant. 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 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

- 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



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

**ACCOUNTING POLICIES**

**1. Presentation of financial statements ( continued)**

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.

**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 Municipality's 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.

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

**ACCOUNTING POLICIES**

**1. Significant judgements and sources of estimation uncertainty (continued)**

In making their judgement the management considered the detailed criteria for the recognition of revenue as set out in IPSAS 9 (revenue from exchange transactions) and IPSAS23 (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.

**Impairment of financial assets**

Accounting Policy 1.9 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 1.5, 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 1.7 on impairment of assets, accounting policy 1.5 on intangible assets – Subsequent measurement amortisation and impairment and accounting policy 1.10 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 STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)**

**ACCOUNTING POLICIES**

**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 realisable 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 23 24 26 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 Municipality 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.

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 Municipality's interest it is recognised as interest earned in surplus or deficit.

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

**ACCOUNTING POLICIES**

**Fines**

Fines constitute both spot fines and summons.

**1.2 Revenue from non-exchange transactions (continued)**

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.

**1.3 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 Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
  - the Municipality 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 Municipality; and
  - the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Service Charges

**Service Charges are levied in terms of the approved tariffs.**

Service charges relating to electricity and water are 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 meters 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.

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

**ACCOUNTING POLICIES**

**Service Charges are levied in terms of the approved tariffs. ( continued)**

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

**1.3 Revenue from exchange transactions (continued)**

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

Revenue from the sale of water prepaid meter cards are recognised at the point of sale. Revenue from the sales of water are 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:

- Interest earned on Muniucipalityors' Gratuity Fund is allocated directly to the Creditor: Muniucipalityors' 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 licences and permits.

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

**ACCOUNTING POLICIES**

**Revenue from Agency services**

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

**1.4 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. a 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.

**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:

<b>Item</b>	<b>Average useful life</b>
<b>Buildings</b>	
• Improvements	8 - 80
<b>Infrastructure</b>	
• Roads and storm water	8 - 80
• Sanitation	10 - 90
• Solid waste	5 - 80
• Water	10 - 90
<b>Community</b>	
• Facilities	8 - 80
<b>Other</b>	
• 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
• Specialised vehicles	5-15

**ANNEXURE F**

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

**ACCOUNTING POLICIES**

**1.4 Property, plant and equipment (continued)**

**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 derecognition 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.

**1.5 Intangible assets**

**Initial recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets.

For internally generated intangible assets all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as intangible assets in accordance with IPSAS 31 (intangible assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible

Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

**Intangible Assets are initially recognised at cost.**

Where an intangible 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.

The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset but directly recognised in Surplus or Deficit and measured at cost. Subsequent Measurement Amortisation and Impairment

**ANNEXURE F**

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

**1.5 Intangible assets (continued)**

Amortisation is provided to write down the intangible assets on a straight line basis to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software other	5 years

**Derecognition**

The gain or loss is the difference between the net disposal proceeds if any and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised. Gains are not classified as revenue.

**1.6 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.

**1.6.1 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 derecognition 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.



**THE MUNICIPALITY OF OKAHANDJA****NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)****1.6.2 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 Municipality's 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 Municipality's net investment out standing 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.

**1.7 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 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 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.

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

**1.8 Impairment of non- 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 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 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.

**1.9 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 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.

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

**1.9 Financial instruments (continued)**

Fair Value Methods and Assumptions

The fair value of Financial instruments is 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:

<b>Class</b>	<b>Category</b>
Loan 1	Financial asset measured at amortised cost
Loan 2	Financial asset measured at amortised cost
Other financial asset 1	Financial asset measured at fair value

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 Municipality 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:

<b>Class</b>	<b>Category</b>
Loan 1	Financial liability measured at amortised cost
Loan 2	Financial liability measured at amortised cost
Loan 3	Financial liability measured at amortised cost

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**Initial and subsequent measurement of financial assets and financial liabilities**

**Financial Assets:**

Financial assets measured at amortised cost

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

**1.9 Financial instruments (continued)**

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 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 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. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of in solvency 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

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

**1.9 Financial instruments (continued)**

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 on the basis of 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 through the use of 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.

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

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

**1.9 Financial instruments (continued)**

**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 Municipality's 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.

**1.10 Inventories**

**Initial Recognition**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction then their costs are their fair value as at the date of acquisition. The cost of inventories comprises of all costs of purchase costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. costs also include a proportion of overhead costs.

**Subsequent measurement**

Consumable stores raw materials work-in-progress and finished goods

Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the FIFO Method.

Consumable stores raw materials work-in-progress inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the FIFO Method.

**THE MUNICIPALITY OF OKAHANDJA****NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)****1.10 Inventories (continued)****Water inventory**

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally or where the Municipality has incurred purification costs on water obtained from natural resources (rain rivers springs boreholes etc.). However water in dams that are filled by natural resources and that has not yet been treated that is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase cost of conversion and other costs incurred in bringing the Inventory to its present location and condition net of trade discounts and rebates.

Water and purified effluent are valued by using the Weighted Average Method at the lowest of purified cost and net realisable value insofar as it is stored and controlled in the distribution network at year-end.

**Other arrangements**

Redundant and slow-moving inventories identified are written down from cost to current replacement cost if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Differences arising on the measurement of such inventory at the lower of cost and current replacement cost or net realisable value are recognised in surplus or deficit in the year in which they arise. the amount of any reversal of any write-down of inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the Inventory was sold distributed written off or consumed unless that cost qualifies for capitalisation to the cost of another asset.

**1.11 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.

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

**1.11 Provisions and contingencies (continued)**

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 which 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 land fill site closure are based on the municipality's 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.

**1.12 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.



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

**1.12 Employee benefits (continued)**

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: 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.

**1.13 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.

**1.14 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 managers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

**1.15 Budget information**

The annual budget figures have been prepared in accordance with the IPSAS's 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 2021 to 30 June 2022.

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

**1.16 Going concern assumption**

At 30 June 2019 the Municipality's current liabilities exceeded its current assets. In addition the Municipality was not spared from the impact of Covid-19 and related effects. However the Municipality have prepared the annual financial statements under the going concern assumption based on management assumptions as set out in note 27 to the annual financial statements.

**1.17 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 Fund which 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.

**Accumulated surplus**

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

**1.18 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.

**1.19 Value Added Tax (VAT)**

The Municipality accounts for value added tax in accordance with section 18 of the value-added tax Act 2000 (Act No 10 of 2000).

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

**1.20 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.

**2. Transfers from Government and related entities**

	<b>2022</b>	<b>2021</b>
	N\$	N\$
<b>Operating grants</b>	<b>2 666 423</b>	<b>5 145 875</b>
Road Fund administration	2 451 089	2 921 695
Capital grants - GRN	215 334	2 224 180

**3. Service charges**

	<b>62 802 963</b>	<b>68 748 319</b>
Sale of water	46 055 961	50 205 065
Sewerage and sanitation charges	10 403 030	11 211 800
Refuse removal	6 343 972	7 331 454

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 accord to the approved tariffs.

**4. Rental of facilities and equipment**

	<b>988 496</b>	<b>700 255</b>
Rental of premises	466 437	436 305
Other rentals	119 306	-
Rental of townlands and open spaces	181 667	36 627
Rental income of billboards	158 081	187 514
Rental of facilities	63 005	39 809

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

**5. Other income**

	<b>2 163 671</b>	<b>825 662</b>
Betterment and endowment fees	150 000	3 570
Building plans	596 503	366 589
Prepaid meters installations	473 561	(4 627)
Registration of business	385 903	340 237
Sundries	490 242	61 446
Wood and sand permits	67 462	58 447

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

**6. Interest received - investment**

	<b>2022</b>	<b>2021</b>
	N\$	N\$
	<b>12 099 891</b>	<b>7 677 908</b>
Bank interest	332 588	408 958
Trade and other receivables	11 767 303	7 268 950

**7. Employee related costs**

	<b>40 336 787</b>	<b>39 059 692</b>
Basic	23 051 426	20 140 999
Bonus	25 938	1 613 800
Medical aid - company contributions	3 664 340	3 617 890
Social Security	18 370	193 160
Leave pay provision charge	-	5 876
Defined contribution plans	3 987 923	4 078 627
Overtime payments	1 982 542	1 746 640
Transport allowance	1 078 467	-
Car allowance	203 522	1 276 805
Housing benefits and allowances	6 077 798	6 155 802
Other allowances	246 461	230 093

**8. Chief Executive Officer**

	<b>780 141</b>	<b>623 721</b>
Annual Remuneration	392 054	181 201
Car Allowance	76 317	33 903
Performance Bonuses	4 084	44 613
Contributions to UIF Medical and Pension Funds	140 464	54 416
Housing subsidy	156 822	72 480
Cell phone and other	10 400	237 108

Chief Executive Officer (Mr. Alphons Tjitombo) was appointed as the substantive CEO in October 2021, and commenced his duties from the 1st of November 2021, which means he only worked for eight months in the financial year 2022 (from 01 November 2021 until 30 June 2022).

**9. Strategic Executive (1) and Managers (5)**

	<b>6 353 879</b>	<b>6 067 343</b>
Annual remuneration	3 165 174	3 112 297
Car allowance	549 281	541 838
13th cheque bonus	263 834	235 113
Contributions to uif medical and pension funds	1 023 500	860 047
Housing subsidy and allowances	1 266 070	1 235 683
Cell phone and other	86 020	82 365

## THE MUNICIPALITY OF OKAHANDJA

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)

## 10. Employee related costs (continued)

## Remuneration of Councillors

	2022	2021
	N\$	N\$
	<b>3 439</b>	-
Mayor	100 910	58 864
Deputy Mayor	44 244	51 619
MC Chairperson	92 228	53 800
Management Committee Members	162 578	94 837
Ordinary Muniucipalityors	190 523	88 911
	<b>590 483</b>	<b>348 031</b>
Less: Portion included in employee remuneration	<b>(587 044)</b>	<b>(348 031)</b>

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

## 11. General expenses

	12 381 782	9 241 920
Ad Hoc allowances	920	-
Advertising	242 899	130 435
Bank charges	685 531	680 290
Catering & entertainment cost	132 085	58 837
Cleaning	931 892	1 091 673
Computer expenses	4 977	-
Consulting and professional fees	68 586	775 395
Electricity	892 421	596 612
Fleet	1 164 104	369 278
Fuel and oil	749 810	693 606
Hiring of facilities & equipment	1 331 002	1 870 499
Insurance	779 051	760 616
Cemetery parks and gardens	47 700	61 939
Conferences	-	11 048
Levies – Regional Council	1 677 729	-
Postage courier and telephone	1 184 840	1 109 843
Printing and stationery	529 317	577 624
Protective clothing	736 750	130 288
Sewerage and waste disposal	151 360	-
Subscriptions and membership fees	137 500	53 849
Tourism development	635 760	7 830
Training	104 885	138 497
Travel - local	192 663	123 761

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

**12. Interest paid**

	<b>2022</b>	<b>2021</b>
	N\$	N\$
	<b>288 169</b>	<b>544 568</b>
Non-current liabilities	247 689	211 504
Bank	40 480	333 064

Borrowing costs to the amount of N\$ 0 (2021: N\$ 0) were capitalised during the financial year.

**13. Operating deficit**

Operating deficit for the year was arrived at after taking the following into account.

	<b>1 331 002</b>	<b>1 870 499</b>
Operating lease charges		
Equipment		
• Contractual amount	325 821	211 815
Plant and equipment		
• Contractual amount	1 005 181	1 658 684
Depreciation on property plant and equipment	12 897 889	11 188 437
Employee costs	40 340 226	39 059 692

**14. Rental of facilities and equipment**

Facilities and equipment	<b>402 753</b>	<b>263 950</b>
Rental of facilities	244 672	76 436
Rental income – Billboards & roadside ads	158 081	187 514

**15. Cash and cash equivalents (Current assets)**

	<b>7 343 902</b>	<b>16 761 101</b>
Cash on hand	160	160
Bank balances	-	646 668
Short term deposits	9 051 127	16 114 273
Bank overdraft	(1 707 385)	-

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.

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

## THE MUNICIPALITY OF OKAHANDJA

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)

## 15. Detailed analysis of cash and cash equivalents (continued)

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.

Financial institution

	2022	2021
	N\$	N\$
	<b>7 343 902</b>	<b>16 761 101</b>
<b>Cash on hand:</b>		
Cash float	160	160
<b>Bank balances:</b>		
Bank Windhoek	-	646 668
<b>Short-term deposits</b>		
Bank Windhoek Call Deposit	5 649 110	12 894 836
FNB Call account	300 000	300 000
FNB Call account	1 745	1 751
Standard Bank Call account	206 149	197 923
FNB Call account	5 184	5 177
Standard Bank Trade and Tourism Expo	420 334	269 392
FNB Call account - Build Together	869 729	862 096
FNB Call account - Build Together	868 886	862 024
FNB Call account - Build Together Revolving account	548 744	540 839
FNB Call account - Build Together Disbursement account	181 246	180 235
	<b>9 051 287</b>	<b>16 114 273</b>
Bank overdraft- Bank Windhoek	(1 707 385)	-

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.

## 16. Receivables from exchange transactions

	39 676 665	10 739 985
Trade debtors	23 226 203	10 726 571
Employee costs in advance	318 656	13 414
Censored Okh JV (Pty) Limited	16 131 806	-

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

**16. Receivables from exchange transactions (continued)**

Receivables from exchange transactions are billed monthly latest end of month. No interest is charged on receivables until the end of the following month. Thereafter, 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

**18. Inventories**

Inventories are held for own use and measured at the lower of cost and current replacement cost. No write downs of inventory to net realisable value were required.

No inventories have been pledged as collateral for liabilities of the Municipality.

**19. Intangible assets**

**Other information**

The amortisation expense has been included in the line item "depreciation and amortisation" in the statement of financial performance (see note 12).

all of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the Municipality.

the following restrictions apply to intangible assets: software:

- (i) The systems are non-assignable non-transferable and the Municipality has no exclusive rights to use the systems.
  - (ii) The Municipality as the licensee shall not grant usage of or distribute the systems in its original or modified form to a third party for the third party's benefit;
  - (iii) The Municipality has no intellectual property rights to the systems;
- Significant Intangible Assets  
 Significant Intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in IPSAS 32 are the following;
- (v) Website Costs incurred during the last two financial years if applicable have been expensed and not recognised as Intangible Assets. The Municipality cannot demonstrate how its website will generate probable future economic benefits

**Intangible Assets with Indefinite Useful Lives**

The Municipality amortises all its intangible assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the intangible assets remain unchanged from the previous year.

**Impairment of intangible assets**

No impairment losses have been recognised on intangible assets of the Municipality at the reporting date.



**THE MUNICIPALITY OF OKAHANDJJA  
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)**

**19. Property Plant and Equipment**

	2022		2021			
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Plant and equipment	124 366 478	(42 215 010)	82 151 468	106 435 268	(28 772 563)	77 662 705

**Reconciliation of property, plant and equipment**

	Opening balance	Additions	Other movements	Depreciation	Total
Reconciliation of property plant and equipment – 2022	77 662 705	7 815 755	10 115 456	(13 442 448)	82 151 468
Reconciliation of property plant and equipment – 2021	81 394 405	7 456 736		- (11 118 436)	732 705

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

**21. Payables under exchange transactions**

	<b>2022</b>	<b>2021</b>
	N\$	N\$
	<b>39 138 891</b>	<b>31 140 319</b>
Employees related payables	15 267 704	18 875 303
Payments received in advance	14 351 813	-
Leave pay provision	3 697 508	6 857 070
Employees related payables	276 411	251 444
Deposits received	2 759 897	2 618 471
Overdue government loans	2 785 558	2 538 031

**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.

**21. Payables from non-exchange transactions**

	<b>7 133 131</b>	<b>4 197 864</b>
Amounts payable to the Regional Council	6 723 826	3 788 559
Expo and trade fair	409 305	409 305

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

**22. Housing Fund**

	<b>4 794 900</b>	<b>4 769 917</b>
Build Together Fund	4 794 900	6 380 399
	-	(1 610 482)

**23. Cash (used in) generated from operation**

	<b>(1 601 445)</b>	<b>23 069 378</b>
Deficit	(943 545)	(17 263 328)
Adjustments for:		
Depreciation and amortisation expense	12 897 889	11 188 437
Debt impairment	27 696 852	37 333 205
Direct adjustments to net assets (cash)	2 850 284	(2 610 887)
<b>Changes in working capital:</b>		
Inventories	(44 000)	-
Receivables from exchange transactions	(28 936 680)	10 318 172
Debt impairment	(27 696 852)	(37 333 205)
Payables under exchange transactions	7 998 576	16 188 603
VAT	1 640 764	3 902 167
Payables from non-exchange transactions	2 935 267	1 346 214

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

**25. Related parties**

All related party transactions are conducted at arm's length unless stated otherwise.

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

**Related party balances:**

Amounts included in trade receivable (trade payable) regarding related parties

The services rendered to related parties are charged at approved tariffs that were advertised to the public. no bad debts were written off or recognised in respect of amounts owed by related parties. the amounts outstanding are unsecured and will be settled in cash. consumer deposits were received from Municipality the Chief Executive Officer and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**Loans granted to Related Parties**

The Municipality does not grant loans to its Councillors. Loans together with the conditions thereof granted to Management Staff and Public are disclosed in Note 10 & 11 to the Annual Financial Statements.

**Compensation of Related Parties**

Compensation of key management personnel and councillors is set out in notes 10&11 to the annual financial statements.

**Purchases from Related Parties**

The Municipality buys electricity from Cenored Okahandja JV Pty Ltd which it co-owns with Cenored Pty Ltd and can be considered to be related party.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Muniucupalityors the Chief Executive Officer and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**26. Risk management**

**Financial 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 STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)**

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## **25. Risk management**

### **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 Municipality's 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 Municipality's exposures of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments long-term receivables consumer debtors other debtor's 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 Bank Windhoek, First National Bank, Nedbank and Standard Bank. 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 consolidation of rates and service accounts enabling the disconnecting services for the non-payment of any of the individual debts;

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

**25. Risk management (continued)**

- The requirement of a deposit for new service connections serving as guarantee and are reviewed annually; and
- 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 Municipality's 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.

Payment 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.

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.

**The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows**

	2022	2021
	N\$	N\$
Maximum credit risk exposure	<b>253 290 035</b>	<b>205 989 912</b>
Trade and other receivables from exchange transactions (cost)	244 238 748	189 228 811
Cash and cash equivalents	9 051 287	16 761 101

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

**26. Going concern**

Management considered the following matters relating to the going concern:

- i) Strict daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the budget.
- ii) As the town 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.
- iii) The Okahandja Municipality is one of the biggest Municipality in Otjozondjupa region and it is in public interest that the Municipality remains solvent and continue as an ongoing 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 the financial year end.

**28. Utilisation of long-term liabilities reconciliation**

	<u>2022</u>	<u>2021</u>
	N\$	N\$
	<b>2 044 000</b>	<b>2 044 000</b>
Long term liabilities raised	2 044 000	2 044 000
Cash set aside for the repayment of long-term liabilities	-	-

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.