



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ARANDIS

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 2020

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Arandis for the financial years ended 30 June 2019 and 2020 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, September 2021

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ARANDIS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 AND 2020**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Arandis for the financial years ended 30 June 2019 and 2020. These financial statement comprise the statement of financial position, statement of financial performance, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis for Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Arandis for the financial year ended 30 June 2019 and 2020 and its financial performance and their cash flows for the year then ended.

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

- Section 35(1) of the labour Act provides for the payment of severance allowance to employees who have completed 12 months continues service if such employee:
 - (a) Is dismissed;
 - (b) Dies while employee; and/or
 - (c) Resigns or retires on reaching the age of 65 years.

The Council has made payments amounting to N\$ 234 861 (2019) and N\$ 23 347 (2020) for severance pay, these payments are not in line with the Act as stated above.

- The accuracy of the total payroll remuneration reflected in the financial statements amounting to N\$ 11 266 059 (2019) could not be verified due to non –submission of payroll reports for January and February 2019;
- A difference of N\$ 419 457 was observed between the total payroll remuneration as per the payroll reports for the 2020 period and the amount disclosed in the financial statements;
- The auditors noted differences in provision for leave gratuity amounting to N\$ 880 210 (2020) between the amount disclosed in the financial statements (N\$ 1 888 715) and the recalculated amount (N\$ 1 008 505);
- Auditors could not verify amount of N\$ 4 529 997 (2020) for Investment in Associate disclosed in the Financial Statement due to non-submission of supporting document. (Equity valuation report from Erongo red);
- The auditors noted that the Council disclosed an Investment Property which was already disposed off in the financial statement valued at N\$ 952 000;
- The Council acquired new vehicles amounting to N\$ 458 238 during the 2020 financial year; however this amount was not recorded in the Fixed asset register;
- A difference of N\$ 311 965 was noted between the Property, Plant and Equipment in the annual financial statement (N\$ 38 446 010) and fixed asset register (N\$38 134 045);

- An amount of N\$ 1 509 500 for asset disposal in the 2020 financial year period does not appear in the asset summary;
- A difference of N\$ 359 765 (2020) was noted between the general ledger (N\$ 1 94 4310) and the namwater supplier statement (N\$ 2 304 075);
- A difference in Namwater debtors of N\$ 808 115 (2020) was noted between the annual financial statements (N\$ 13 509 766) and the age analysis (N\$ 14 317 880);
- A difference of N\$ 2 252 914 (2019) and N\$ 5 757 994 (2020) in provision for doubtful debts was noted between the annual financial statements and the auditors recalculated amount;
- The Council could not provide supporting documents (2020) for income received relating to Surcharges and Capital budget of N\$ 739 852 and N\$ 7 836 404 respectively;
- An interest written off by Namwater in favor of the Council which relates to prior year (2019), was recorded in the current financial period (2020) resulting in the account being understated by an amount of N\$ 2 385 682;
- Payments made by the Council to Namwater amounting to N\$ 729 968 were disclosed under Bulk purchases expenses account resulting in an understatement of the account;
- The Council reported in its Cashflow Statement an amount of N\$ 3 328 128 (2020) as cash and cash equivalent at the end of the period instead of N\$ 1 824 169 resulting in an overstatement of N\$ 1 503 959;
- The Council reported in its Cashflow Statement an amount of (N\$ 81 086) as cash and cash equivalent at the beginning of the year (2019) instead of N\$ 1 377 753 resulting in an understatement of N\$ 1 296 667;
- The Council reported an amount of N\$ 1 641 018 (2020) as cash generated from operation before changes in working capital (note 5) instead of N\$ 12 000 173 resulting in an understatement of N\$ 10 359 155;
- An amount of N\$ 4 311 859 (2020) reported as net cash flow from operating activities does not agree to the amount reported in note 5 of N\$ 239 736, resulting in a difference of N\$ 4 072 123;
- The Council did not fully comply with IPSAS 24, because the Council did not disclose an explanation of the reasons for material differences in accordance with its legislation between the budget and actual amounts (paragraph 14 and 17); explanation on the budgetary basis and classification basis adopted in the approved budget (paragraph 39) and reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements (paragraph 47);
- IPSAS 33 (136), the Council did not disclose the extent to which it has taken advantage of the transitional exemptions that affect or do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs;
- IPSAS 33 (137), where these transitional exemptions and provisions are applied, a first-time adopter is required to disclose information about the transitional exemptions and provisions adopted, and progress towards fair presentation and compliance with accrual basis IPSASs;
- IPSAS 33 (141), explanations of transition to IPSASs not disclosed;
- IPSAS 33 (142), the Council did not present a reconciliation of its balance of net assets/ equity and accumulated surplus/ deficit in accordance with its previous basis of accounting to its opening balances at the date of adoption of IPSASs; and
- The financial statements were prepared on vote basis. An entity shall present, either on the face of the statement of financial performance or in the notes, a subclassification of total revenue, classified in a manner appropriate to the entity's operations. An entity shall present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant IPSAS 108 and 109.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial Statement for Town Council of Arandis.

4. OTHER INFORMATION

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

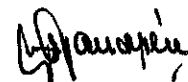
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes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

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial years ended 30 June 2019 & 2020 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

8. ACKNOWLEDGEMENT

I wish to express my gratitude to management and staff of the Town Council of Arandis for cooperating and assisting with the audit.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, September 2021

**TOWN COUNCIL OF ARANDIS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

		2020	2019	2018
	Note	N\$	N\$	N\$
Assets				
Current assets				
Cash and Cash Equivalents	1	3 556 315	2 375 006	1 296 667
Trade and Other Receivables	2	19 278 881	21 805 341	15 672 444
Inventories		47 565	96 553	-
Non-current assets				
Property, Plant and Equipment		38 446 010	39 382 582	55 881 762
Investment in Associate		4 529 997	4 529 997	4 355 850
Investment Properties		20 008 809	15 225 702	-
Long Term Receivables		5 423 780	1 503 925	-
Total assets		91 291 357	84 919 106	77 206 723
Net assets and liabilities				
Current Liabilities				
Trade and Other Payables	3	5 970 692	9 482 923	7 512 049
Bank Overdraft	1	228 187	705 494	1 377 753
Consumer Deposit		1 130 796	1 094 176	1 090 086
Non current liabilities				
Long Term Borrowings		1 888 715	-	-
Employee Benefits		-	740 108	517 911
Net assets		82 072 967	72 896 405	66 708 924
Funds	4	33 359 801	33 144 361	32 918 795
Other Reserves	4	-	-	55 881 762
Accumulated Surplus/Deficit		48 713 166	39 752 043	(22 091 633)
Total net asset and liabilities		91 291 357	84 919 106	77 206 723

TOWN COUNCIL OF ARANDIS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

		2 020	2019	2 018
	Note	N\$	N\$	N\$
Revenue	14	44 511 861	37 287 671	35 534 290
Rates and Taxes		7 865 084	6 586 652	5 577 169
Government Grants and Subsidies		7 836 404	1 701 423	6 978 110
Fees,Licence, Fines and Penalties		4 574 237	4 647 207	2 879 799
Other Income		3 726 324	4 454 478	5 546 645
Income from Sales of Evert		3 353 640	4 369 062	1 578 052
Income from Water		8 308 443	8 401 923	6 416 215
Income from Sewerage		4 047 211	3 361 150	3 020 608
Income from Refuse Removal		3 291 019	3 591 629	3 537 693
Fair Value Adjustment		-	174 147	-
Profit on disposal		1 509 500	-	-
Less: Expenses	15	25 191 584	28 434 674	28 524 891
Councils General Expenses		845 805	1 184 010	1 296 417
General Administration		6 775 475	7 341 400	7 113 869
Treasury Department		2 941 421	3 201 979	3 197 349
Cleansing Services		1 345 596	1 397 790	1 427 028
Workshop		3 357 491	3 261 947	2 955 472
Fire Brigade		2 990	14 225	1 000 000
Sewerage		408 911	803 091	2 325 598
Parks And Gardens		43 482	-	-
Housing And Buildings		161 787	274 748	109 649
Streets And Roads		848 026	579 521	1 741 314
Tourism And Recreation		-	24 929	15 361
Townlands		282 357	1 584 686	2 035 637
Assessment Rates		172 836	302 127	273 858
Electricity Services		846 313	-	1 153 292
Water Services		2 610 542	4 241 829	3 880 047
Depreciation and Amortisation		1 394 900	1 341 450	-
Bad Debt Provision-075		2 005 043	2 658 745	-
Provision For Employee Benefits-075		1 148 607	222 197	-
Surplus/Deficit for the period		19 320 278	8 852 997	7 009 398

TOWN COUNCIL OF ARANDIS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

	Funds	Reserves	Accumulated Surplus/Deficits
	N\$	N\$	N\$
Balance as at 1 July 2017	32 564 107	53 893 455	(26 525 074)
Changes in Accounting Policy, Error and Correction-IPSAS 3	-	-	(2 575 957)
Restated Accumulated Surplus (Loss)	-	-	(29 101 031)
Increase in Funds	354 687	-	-
Increase Reserve	-	1 988 307	-
Surplus/ Deficit for the period	-	-	7 009 398
Balance as at 1 July 2018	32 918 794	(55 881 762)	(22 091 633)
Changes in Accounting Policy, Error and Correction-IPSAS 3	-	(55 881 762)	52 990 680
Reinstated Accumulated Surplus (Loss)	-	-	30 899 047
Increase in Funds	25 567	-	-
Surplus/ Deficit for the period	-	-	8 852 996
Balance as at 1 July 2019	33 144 361	-	39 752 043
Changes in Accounting Policy, Error and Correction-IPSAS 3	-	-	(10 359 155)
Reinstated Accumulated Surplus (Loss)	33 144 361	-	29 392 888
Decrease in Funds	215 440	-	-
Surplus/ Deficit for the period	-	-	19 320 278
Balance as 30 June 2020	33 359 801	-	48 713 166

TOWN COUNCIL OF ARANDIS
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE

	Note	2020 N\$	2019 N\$	2018 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts		30 423 178	29 480 791	35 524 290
Receipts from exchange and Other non exchange transaction	7	22 586 774	27 779 368	35 524 290
Government grants and subsidies		7 836 404	1 701 423	-
Payments		26 111 319	27 887 789	35 444 219
Payment to suppliers and on behalf of employees	8	26 111 319	27 887 789	35 444 219
Net cash flow from operating activities	5	4 311 859	1 593 002	80 071
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property plant and equipment	9	(458 362)	(67 971)	-
Proceeds from sale of plant and equipment	10	1 509 500	-	-
Purchase of other investments: associate		(5 423 780)	-	2 039 076
Net Increase in Capital value				(1 988 307)
Net cash flow from investing activities		(4 372 642)	(67 971)	50 769
CASH FLOW FROM FINANCING ACTIVITIES				
Increase in funds and reserves	14	215 440	225 567	2 342 994
Net cash flow from financing activities		215 440	225 567	2 342 994
Net increase/decrease in cash and cash equivalents		154 657	1 750 598	2 473 834
Cash and cash equivalents:				
at the beginning of the year		1 669 512	(81 086)	(3 851 587)
at the end of the year		3 328 128	1 669 512	(1 377 753)

TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
1 Cash and cash equivalent include the following items:		
Bank: Capital Project 80002722462	1 008 226	321 018
Bank: Build Together 8000258628	81 793	45 478
Bank: Investors Account 800039992399	400	1 000
Bank: Namwater Account	166 582	1 849 587
Bank:Std Call Account 548986290	24 957	24 957
Bank:Bwk Call 30000371281	2 102 885	822
Bank Std Call 60003002305	141 126	132 144
	3 525 969	2 375 006

Operational Account Bank Reconciliation

Balance as per Cash Book as at Arandis Town Council

	(228 187)	(705 494)
Add: Outstanding Payments	706 035	1 103 881
Less: Outstanding deposits	(44 837)	(21 736)
Balance as per Bank Statement as at 30 June	433 011	376 651

Cash Book balance is showing an overdaft figures because of outstanding EFT that were processed at year end but actual bank payment was only made on 7th as per council policy.

	2020	2019	2018
	N\$	N\$	N\$
2 Trade and other recievables for the period include;			
Debtors- Services 501	46 313 683	49 500 922	40 393 860
Debtors- Sundry 511-Namwater Refunds	-	-	167 161
Debtors- Namwater Debtors 517	13 509 766	12 050 720	9 199 034
Housing Debtors - 460	1 203 668	1 603 298	2 002 435
Housing Debtors - 470	1 588 964	1 744 524	1 953 317
Recievables-Value Added Tax 512	772 669	514 628	1 402 718
	63 388 751	65 414 092	55 118 525
Less: provision for doubtful debtors	44 109 869	42 104 827	39 446 082
	19 278 881	23 309 265	15 672 444
Long term recievables	-	1 503 925	-
	19 278 881	21 805 340	15 672 444

TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2. Trade and other receivables (continued)

Long term receivables comprise of build together debtors the term for repayment for build together beneficiaries range from 11-20 years, the balance was calculated based on amount levied for June 2019.

Balance as at 30 June 2019	1 744 524
Less: Receivables in the next 12 months	240 599
	<u>1 503 925</u>

	2020	2019	2018
	N\$	N\$	N\$
3. Account payable is made up of the following:			
Payables-Income Tax and other Sundries (511)	744 356	502 636	-
Accrued Payables-507	5 226 336	8 980 287	7 512 049
	<u>5 970 692</u>	<u>9 482 923</u>	<u>7 512 049</u>
4. Funds and other Reserves			
Fund Account -410	15 358 639	15 260 146	15 150 064
Fund Account- 420	4 923 218	4 806 271	4 690 787
Fund Account- 401	13 077 911	13 077 911	13 077 944
	<u>33 359 768</u>	<u>33 144 328</u>	<u>32 918 795</u>
Other Reserve-Capital Outlay	-	-	<u>55 881 762</u>

	2020	2019
	N\$	N\$
5. Reconciliation for cash generated from operation:		
Surplus/(Deficit) from ordinary operating activities	19 320 278	8 852 997
Add: Non cash items:		
Depreciation	1 394 900	1 341 450
Provision for bad debt	2 005 043	2 658 744
Provision for employee benefits	1 148 607	222 197
Changes in Accounting Policies, Error and Correction	(10 359 155)	(2 891 083)
Less: Profit on disposal	1 509 500	174 147
Cash generated from operation before changes in working capital	<u>1 641 018</u>	<u>10 010 158</u>

TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
5. Reconciliation for cash generated from operation (continued)		
Changes in working capital:	(1 401 282)	(8 417 156)
Accounts Receivables	(2 025 341)	(10 295 567)
Inventory	48 988	(96 553)
Accounts Payables	(3 512 231)	1 970 874
Employee benefits	1 148 607	-
Consumer deposit	36 619	4 090
Cash flow from operating activities	239 736	1 593 002

	2020		2019	
	N\$		N\$	
	Debit	Credit	Debit	Credit
6. Trade and other receivables control account	N\$	N\$	N\$	N\$
Balance: Accounts Receivables	21 805 341	19 278 881	15 672 444	21 805 341
Long-term receivables	-	-	-	1 503 925
Balance: Consumer deposit	1 130 796	1 094 176	1 094 176	1 090 086
Revenue	44 511 861	-	37 287 670	-
Government grants	-	7 836 404	-	1 701 423
Fair value adjustment	-	-	-	174 147
Reclassification from Investment properties	-	4 783 107	-	-
Profit on disposal	-	1 509 500	-	-
Changes in Accounting policies, error and corrections	-	10 359 155	-	-
Cash received from exchange and non exchange transactions	-	22 586 774	-	27 779 368
	67 447 998	67 447 997	54 054 290	54 054 290

7 Trade and other payables control account

Balance: Account payables	5 970 692	9 482 923	9 482 923	7 512 049
Balance : Inventory	96 553	47 565	-	96 553
Expenditures	-	25 191 584	-	28 434 673
Depreciation and amortisation	1 394 900	-	1 341 450	-
Provision for employee benefits	1 148 607	-	222 197	-
Changes in Accounting policies, error and corrections	-	-	-	2 891 083
Cash paid to suppliers and on behalf of employees	26 111 319	-	27 887 789	-
	34 722 072	34 722 072	38 934 359	38 934 359

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020		2019	
	N\$		N\$	
	Debit	Credit	Debit	Credit
8. Property, Plant and equipment				
Balances	39 382 582	38 446 010	55 881 762	39 382 582
Depreciation	-	1 394 900	-	1 341 450
Reclassifications to Investment properties	-	-	-	15 225 701
Purchase of property, plant and equipment	458 328	-	67 971	-
	39 840 910	39 840 910	55 949 733	55 949 733
Work in progress				
Balances	-	5 423 780	-	-
Addition to work in progress	5 423 780	-	-	-
	5 423 780	5 423 780	-	-
9. Disposal of Property, plant and equipment				
Profit on disposal	1 509 500	-	-	-
Proceed from sales of property, plant and equipment	-	1 509 500	-	-
	1 509 500	1 509 500	-	-
10. Investment Properties				
Balances	15 225 702	20 008 809	-	15 225 702
Reclassifications from Debtors control	4 783 107	-	-	-
Reclassifications from Property, Plant and equipment	-	-	15 225 702	-
	20 008 809	20 008 809	15 225 702	15 225 702
11. Investment in associate				
Balances	4 529 997	4 529 997	4 355 850	4 529 997
Fair value adjustments	-	-	174 147	-
	4 529 997	4 529 997	4 529 997	4 529 997
12. Funds and Reserves				
Balances	33 144 361	33 359 801	88 800 557	33 144 362
Adjustment to Accumulates Reserve- IPSAS implementation	215 440	-	-	55 881 762
Increase reserve and funds	-	-	225 567	-
	33 359 801	33 359 801	89 026 124	89 026 124

TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019	2018
	N\$	N\$	N\$
14. Revenue earned during the period			
Cont. Cap Exp. Mrlgh	7 836 404	1 701 423	1 000 000
Murd Grant Ext 5	-	-	1 000 000
Clearance/Valuation Certificates	20 959	5 858	7 661
Building plans	-	123 316	-
Refuse removal	3 291 019	3 591 629	3 537 693
Rates and Taxes	7 865 084	6 586 652	5 577 169
Income Pto	-	-	-
Claims Stolen laptops Tech Dep	-	-	20 710
Departmental levies	-	-	7 583
Sewerage fees	4 047 211	3 361 150	3 020 608
Rental Sport Stadium	1 481	1 269	6 891
Burial fees	375	871	646
Sale of water	6 878 859	7 907 393	6 387 388
Interest on Current account	3 575	280	2 273
Bank Charges	-	-	1 151 449
Late payment charges	4 501 028	4 512 979	2 738 069
Departmental levies	-	1 111 168	616 982
Hall rental	13 710	-	11 307
Interest on Investment	127 011	30 842	37 864
Site Rent	-	21	1 290
Sundry Income	1 034	1 242	500
Fire Fighting fee	20 916	21 505	21 724
Hall rentals	-	58 404	29 643
House rentals	755 357	871 669	884 277
Rental Buildings	469 868	578 812	559 230
Sale of Ervens	3 353 640	4 369 062	1 578 052
Trading license	66 522	91 320	97 576
Tender documents	35 100	16 389	43 586
Investment Conference	-	-	305 623
Duiker Lodge & Khan Lodge Rental	-	-	19 840
Water Basic Charges	1 319 647	424 718	-
Sand mining	43 810	-	-
Contribution	-	-	603
Departmental levies	-	-	8 493
Sale of Houses	60 000	48 000	78 014
Building plans	264 763	-	126 779
Contribution Rfa	948 611	740 499	437 334
Billboards	1 200	1 645	5190
Guest houses	-	-	1 087

TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019	2018
	N\$	N\$	N\$
14. Revenue earned during the period (continued)			
Surchages	739 852	748 241	1 131 942
Mayoral relief income	30 500	-	-
Semi-purified water	4 950	-	-
Connection	186 828	77 671	30 397
Grands (Mtef)	-	-	2 978 110
Grands (Mtef)	-	-	1 000 000
Reconnection fee	3 112	42 628	41 881
Contr Mrlh	-	-	1 000 000
Prepaid water pilot	109 936	69 812	28 827
Disposal of Asset	1 509 500	-	-
Total	44 511 861	37 096 468	35 534 290
15. Expenditure Incurred during the period			
Councils General expenses	845 805	1 184 010	1 296 417
General administration	6 775 475	7 341 400	7 113 869
Treasury department	2 941 421	3 201 979	3 197 349
Cleansing services	1 345 596	1 397 790	1 427 028
Workshop	3 357 491	3 261 947	2 955 472
Fire Brigade	2 990	14 225	1 000 000
Sewerage	408 911	803 091	2 325 598
Natis	43 482	-	-
Housing and Buildings	161 787	274 748	109 649
Streets and Roads	848 026	579 521	1 741 314
Tourism and Recreation	-	24 929	15 361
Townlands	282 357	1 584 686	2 035 637
Assessment Rates	172 836	302 127	273 858
Electricity services	846 313	-	1 153 292
Water services	2 610 542	4 241 829	3 880 047
Depreciation- Properties, plant and equipment - 075	1 394 900	1 341 450	-
Bad debt provision-075	2 005 043	2 658 747	-
Provision for employee benefits-075	1 148 607	222 197	-
Total	25 191 584	28 434 673	28 524 891

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

PROGRESS ON PRIOR AUDIT RECOMMENDATIONS (2018)

Observation by the Auditors and Management Comments

Understatement of provision for doubtful debt

Clear guideline on provision, Error and Changes in accounting policies in terms of IPSAS 3.

Difference between age analysis and Debtors GL

Age analysis was balanced at year end: age analysis to be used in Fistel is the difference between debtors ledger and age analysis summary

Uexplained adjustment to the appropriation account

All adjustments to the appropriation are supported by valid journals.

Inventory expensed

There was a stock taking at year end, and consumbles not utilised during the financial year were recorded under current assets.

VAT not reconciled

VAT was reconcilled to agree to the balance owed by reciever of revenue.

Bank Reconciliation not properly compiled

The reconciliation for the year ended was properly compiled (Note 1).

Fixed Asset balance not in the same as GL

The Fixed Asset register was updated, Hower the entity will make us of IPSAS 33 to have the fixed asset fully updated by year two after first adoption.

FIRST TIME ADOPTION OF IPSASs IN TERMS OF IPSAS 33

1 ASSET CAPITALISATION

AIS 20 on which previous financial statements preparation is based states that:

There are two broad approaches to the accounting for government grants: the capital approach, under which a grant is recognised outside profit or loss, and the income approach, under which a grant is recognised in profit or loss over one or more periods.

Previous financial statements were prepared based on capital approach, with a minor deviation to comply with budget requirement format (issued by Ministry of Urban and Rural Development). Under the stated format, both operating and capital expenditures related to asset acquisition are charged against the profit and loss). This has resulted in the accumulated loss because capital expenditures are expensed.

Local Authorities created a reserve equivalent to asset value to recognise Property, Plant and Equipment in their books.

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

With implementation of IPSAS

Government grants has to be recognised in terms of IPSAS 23: Revenue from None Exchange Transactions (Taxes and Transfer).

An entity shall disclose either on the face of, or in the notes to, the general-purpose financial statements.

- The amount of revenue from non-exchange transactions recognised during the period by major classes showing separately taxes and transfers.
- The number of receivables recognised in respect of non-exchange revenue.
- The amount of liabilities recognised in respect of transferred assets subject to conditions.

As at 30 June 2018, reserve the reserve amounted to N\$55 881 762. this has been amended and corrected in the current year to conform with the standard explained above and in terms of IPSAS 3: changes in accounting policies, error and corrections, the changes have been applied prospectively in terms of Accounting policies adopted.

- | | |
|-----------------------------------|----------------|
| • Debit: Other reserve | N\$ 55 881 762 |
| • Credit: Accumulated profit/Loss | N\$ 55 881 762 |

OPENING STATEMENT OF FINANCIAL POSITION (IPSAS 33)

Paragraph 16 and 17 (IPSAS 33) states that, a first-time adopter shall prepare and present an opening statement of financial position at the date of adoption of IPSAS. In addition, the same accounting policies at the date of adoption of IPSASs shall be applied throughout the period.

Where necessary comparative figures for the previous period have been reconfigured to conform the requirement of changes in the presentation.

The following should be noted between the Opening financial statements prepared according to IPSASs and Financial Statement Submitted and audited:

- **Investment and Cash and Cash Equivalents**
Previously, investment include Cash, bank balance and investment in Erongo Red. Opening Statement of Financial Position have a separate line items for investments and cash and cash equivalents in accordance with accounting policies adopted.
- **Trade and other payables, Consumer deposits and Employee benefits**
In the previous financial statements, all the above items were classified under one-line items as trade and other payables. However accounting policies adopted according to IPSASs, there is a separate line item in the Statement of Financial Position. With employee benefit classified under non-current liabilities in accordance with accounting policies.
- **Funds and Accounts and Accumulated Profit or Loss**
Current financial statements as well as comparative figures prepared there is a separated line items for Funds as well as Accumulated Profit or loss in the face of Statement of Financial Position

**TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**Assets Summary
2020**

Number	Description	Capital	Operation	Total cost	Accumulated	Net Book	Method	Depreciation	Net Book
		N\$	N\$	N\$	Depreciation	Value	N\$	Value	N\$
1	Furnitures and Fittings	-	168 968	168 968	42 242	126 726	25%	42 242	84 484
2	Computer Equipments	-	98 593	98 593	24 648	73 945	25%	24 648	49 296
3	Machinery	162 499	-	162 499	32 500	129 999	20%	32 500	97 499
4	Office Equipments	-	96 402	96 402	19 280	77 122	20%	19 280	57 841
5	Motor Vehicles Land Buildings and	1 972 171	-	1 972 171	302 768	1 669 402	20%	394 434	1 274 968
6	Plants	37 839 787	-	37 839 787	763 036	37 076 752	2%	756 796	36 319 956
7	Other Assets	500 000	-	500 000	125 000	375 000	25%	125 000	250 000
	TOTAL	40 474 457	363 963	40 838 420	1 309 475	39 528 945		1 394 900	38 134 045

**TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**Assets Summary (continued)
2019**

Number	Description	Capital		Operation		Opening Balance		Depreciation		Net Book Value
		N\$		N\$		N\$		N\$		
1	Furnitures and Fittings	-		169 675		169 675	25%	42 419	127 257	
2	Computer Equipments	-		98 593		98 593	25%	24 648	73 945	
3	Machinery	162 499		-		162 499	20%	32 500	129 999	
4	Office Equipments	-		96 402		96 402	20%	19 280	77 122	
5	Motor Vehicles	1 513 842		-		1 513 842	20%	394 434	1 211 074	
6	Land Buildings and Plants	39 594 762		-		39 594 762	2%	756 796	38 802 866	
7	Other Assets	500 000				500 000	25%	125 000	375 000	
	Total	41 771 103		364 670		42 135 773		1 338 510	40 797 262	

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

Investment properties

Erf Number	House Number	Street	Name	2020	2019
				N\$	N\$
				Fair Value	Fair value
3	3A	Geelhout	Arandis Town Council	238 800	238 800
756	856	Pelican/Pidgeon	Arandis Town Council	289 600	289 600
989	2348	Agate	Arandis Town Council	406 000	406 000
457	494	Finch	Arandis Town Council	227 400	227 400
469	516	Finch	Arandis Town Council	305 400	305 400
1000	2270	Bao-bab	Arandis Town Council	240 300	240 300
213	290	Sagle	Arandis Town Council	255 000	255 000
602	778	Niabtjar	Arandis Town Council	227 452	227 452
623	802	Kingfischer	Arandis Town Council	227 473	227 473
959	383	Geelhout	Arandis Town Council	227 809	227 809
635	852	Penquin	Arandis Town Council	227 485	227 485
711	2017	Ostrich	Arandis Town Council	227 561	227 561
254	575	Gannet	Arandis Town Council	139 000	139 000
186	115	Honeysuckle	Arandis Town Council	257 000	257 000
792	2046	Roller	Arandis Town Council	203 000	203 000
484	501	Hospital / Finch	Arandis Town Council	287 400	287 400
470	515	Finch	Arandis Town Council	229 400	229 400
1064	2243	Starling	Arandis Town Council	214 000	214 000
1069	2248	Starling	Arandis Town Council	315 900	315 900
378	211	Flamingo	Arandis Town Council	227 400	227 400
		Honeysuckle /			
399	221	Flamingo	Arandis Town Council	227 400	227 400
7	7	Geelhout	Arandis Town Council	203 000	203 000
12	12	Geelhout	Arandis Town Council	274 000	274 000
336	185	Francolin	Arandis Town Council	271 000	271 000
977	401	Geelhout	Arandis Town Council	291 827	291 827
601	711	Parrot	Arandis Town Council	227 451	227 451
237	409	Milkwood	Arandis Town Council	266 000	266 000
344	203	Francolin	Arandis Town Council	257 000	257 000
797	2041	Roller	Arandis Town Council	227 647	227 647
477	508	Arandis	Arandis Town Council	227 400	227 400
849	2095	Quail	Arandis Town Council	227 699	227 699
747	835	Pelican	Arandis Town Council	227 597	227 597
919	2143	Snipe	Arandis Town Council	227 769	227 769
392	392	NONE	Arandis Town Council	227 400	227 400
855	2105	Prinias	Arandis Town Council	227 705	227 705
963	387B	Geelhout	Arandis Town Council	227 813	227 813

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

Investment properties (continued)

				2020	2019
				N\$	N\$
864	2178	Swift	Arandis Town Council	227 714	227 714
748	836	Pelican	Arandis Town Council	227 598	227 598
191	253	Falcon	Arandis Town Council	203 000	203 000
1079	2241	School / Shrike	Arandis Town Council	302 400	302 400
802	2064	Accia	Arandis Town Council	227 652	227 652
638	894A	Penquin	Arandis Town Council	298 500	298 500
297	430	Milkwood	Arandis Town Council	260 000	260 000
229	274	Eagle	Arandis Town Council	277 400	277 400
741	676	Petcel	Arandis Town Council	288 591	288 591
196	248	Falcon	Arandis Town Council	258 000	258 000
971	395	Geelhout	Arandis Town Council	227 821	227 821
204	240	Falcon	Arandis Town Council	227 400	227 400
688	707	Parrot	Arandis Town Council	227 538	227 538
986	2353	Jacaranda	Arandis Town Council	396 000	396 000
987	2354	Jacaranda	Arandis Town Council	404 000	404 000
988	2347	Jacaranda	Arandis Town Council	400 000	400 000
1155		Daiker Lodge		1 008 000	1 008 000
		O B Davids properties		4 783 107	-
1160		Khan Lodge		952 000	952 000
Total				20 008 809	15 225 702

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

Accounting Policies to the Annual Financial Statement

1. Introduction

The Accounting Policies for Arandis Town Council have been prepared in accordance with International Public Sector Accounting Standards (IPSASs), from July 2018. Having previously prepare its financial statements according to IAS and IFRS. Where there is no specific guidance in the Standard, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision-making needs of users; and reliable, in that the financial statements.
- Represent fairly the financial position, financial performance and cash flows of the entity;
- Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent
- Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets, equity, and liabilities held and incurred during the financial year under review.

The accounting policies of the Council are updated regularly to reflect any changes in IPSASs, Local Authority Act, State Finance Act and Treasury Instruction, other other change in statute impacting on the authority's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

The document has been divided into three distinct categories which are Accounting Principles, Capital Accounting and Revenue Accounting.

Accounting Principles

1.1. Going Concern

The Council prepares its accounts on the basis that it remains a going concern; that an organization will continue to operate in a feasible future.

1.2. Accrual Concept

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognized but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Statement of Financial Position. Equally, where cash has been received or paid which is not yet recognized as income or expenditure, a payable (income in advance) or receivable (payment in advance) is recorded in the Statement of Financial Position.

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1.3. Value Added Tax

VAT collected is payable to Ministry of Finance. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or owed. Amount owed/ receivable may not balance with Receiver of Revenue figures because of different accounting concept that the government is using.

1.4. Changes in Accounting Policy, Error And Corrections

Where there is a known future change in accounting policy in terms of **IPSAS 3**, the Council will disclose the following in the notes to the accounts, in the notes, the council should provide:

- The reason why applying the new accounting policy provide reliable and more relevant information
- If retrospective application is impractical for the particular period, prospective application for new accounting policies for transaction, event, or other circumstances is applied.

Errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights and misinterpretations of facts.

Where those errors are thought to be significant, an adjustment will be entered into financial statements comparative balances as restated figures.

Errors which are found and not significant, will not result in prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the council, or could not have reasonably been determined when Financial Statements were authorized for issue, will be corrected in the current year and accumulated profit/loss will be reinstated.

1.5. Unidentified Income

All unidentified income received is initially recorded to an income suspense account. Monthly updates of the content of the suspense accounts are circulated to the Finance Manager, to ensure the balances are cleared as soon as possible. Any items of revenue not cleared at year end will be treated as sundry revenue.

1.6. Events after reporting period

Where there is a material post balance sheet event before the date the accounts are authorized for issue, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

1.7. Contingent Assets and liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognized in the Statement of Financial Position but disclosed in a note to the accounts.

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1.7. Contingent Assets and liabilities (continued)

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognized in the Statement of Financial Position but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.8. Cash and Cash Equivalent

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

Overdraft are reported under Current liabilities in the Statement of Financial Position, on the Statement of Cashflow, only the net will be disclosed under cash and cash equivalent in the Statement of cash Flow Statement.

Accounting for consumer deposit and employee benefit provision.

Consumer Deposit is accounted under current liabilities, because Account Receivable to which the account is related to is accounted under Current Asset.

Provision for Employee Benefit is accounted under Non-Current Liabilities, this is because, Arandis Town Council will continue to exist in a near feasible future (going concern), hence, which employees. Where are known employees who will retire or resign in the next 12 months, this will be accounted under current liabilities.

2. Capital Accounting

2.1. Recognition of Capital Expenditure

Capital expenditure is recognized in terms of IPSAS 16: Investment Properties, IPSAS 17: Property, Plant and Equipment and IPSAS 36 (revised): Investment in Associate and Joint Venture.

Property, Plants and Equipment (PPE) are initially recognized at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

Carrying amount for an item for PPE is determined by cost less accumulated depreciation. The carrying amount of an item of Property, Plant and Equipment is derecognized on a disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of Property Plant and Equipment is included in surplus or deficit when the item is derecognized.

Depreciation is calculated using straight line methods to write the cost of each asset over the useful life as follows:

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2.2. Non Current Asset classification and useful life

• Buildings and Plants	50 Years	2%
• Machinery	5 Years	20%
• Office Equipment	5 Years	20%
• Motor Vehicles	5 Years	20%
• Office Furniture and Fittings	4 Years	25%
• Computer Equipment's	4 Years	25%
• Other Assets	4 Years	25%

- Intangible assets (impairment assessments)

- Investment properties

These are items of land and/or building held solely for the purpose of rental income generation or capital appreciation.

Asset owned by the council which are occupied by employees or other social groups are not to be classified as investment properties.

- Assets held for sale.

The council will classify the asset as held for sale where the following condition are met.

1. The asset is a condition required for sale
2. The assets sale is highly probable
3. The completion is expected to be completed with 12 months.

Non-current asset held for sale are not to be depreciated.

- Investments.

Investment include share owned by an organization which do not meet the requirement to be classified as investment in associate in term of IPSAS 36. Investment may also include cash held at the bank which will not be used in the next 12 months.

3.3. Investment properties-IPSAS 16

Investment properties are measured using fair value model, using the gazetted valuation as a model to account for all investment properties. Fair value is time-specific as of given date, however the council opt not to revalue every year but rather to use general valuation and interim valuation.

3.4. Non-current asset valuation methodology

Non-current asset is initially recorded at cost less accumulated depreciation and impairment. The council does not carry out market valuation because cost the outweigh the benefit, unless required, example when the asset is to be sold. The council may also make use of the valuation roll to determine the value for the assets. The council recognize intangible Assets at cost, revaluation of intangible asset will only be done annually where there a determinable market value for the asset.

Assets that are fully depreciated and still in use are recorded in the Statement of Financial Position at a rate of N\$1. It is up to management discretion to decide whether to do an asset valuation, taking into consideration the cost implications.

3.5. Impairment of non-current asset

At the end of reporting period, the council **may** assess whether there is a need for impairment assessment. Considering the benefits and the cost to be incurred.

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

3.6. Disposal of non-current asset

When the asset is disposed of or decommissioned, the net value (Asset book value less receipt from disposal) for the asset in the Statement of Financial Position is written off to the Statement of Financial Performance as part of gain or loss on disposal.

1. REVENUE ACCOUNTING

1.1. RECOGNITION OF REVENUE AND EXPENDITURES

Revenue recognition

Revenue is derived from various sources. Revenue comprises the fair value of the consideration received or receivables for the sales of goods and services in the ordinary course of the Council activities. Revenue is shown net of value added tax, returns and other discounts.

Revenue from exchange transactions refers to transaction that occurred to Arandis Town Council directly in return for service rendered/ goods sold, the value of which approximates the consideration received or receivables.

Revenue from non-exchange transaction refers to transactions where the Council received revenue from another entity without directly giving approximately equal value in exchange.

1.2. Government grants and other donations

Conditional grants, donations and funding's are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that these criteria, conditions or obligations have not been met. Where such requirements are not enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered as restriction and is recognised as revenue.

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

1.3. Borrowing costs

Arandis Town Council capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that assets in accordance with the requirements of IPSAS 5.

Arandis Town Council ceases to capitalise borrowing costs when substantially the activities necessary to prepare the qualifying assets for its intended use has been completed.

1.4. Related parties disclosure

Individuals 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 Member, Council Members, Chief Executive Officer and

TOWN COUNCIL OF ARANDIS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

all other Managers reporting directly to the chief Executive Officer or as designated by the Chief Executive Officer.

1.5. Employess cost

The council account for total benefit earned by employees during the financial year as salaries and wages in the statement of financial performance. Council members allowance is also recognized under this category.

1.6. Research and other related cost

Payment for environmental impact assessment, drafting of infrastructure plans and other expenditure relating to capital project to determine the feasibility are treated in the Statement of Financial Performance.

1.7. Provision for doubtful debts

Arandis Town Council maintain a provision for any nonpayment, at each Balance sheet date, the council make an assessment as to whether impairment loss need to be recognized.

- Firstly, whether there is evidence of impairment for individual debtors that are significant.
- Secondary, there is evidence of impairment for the group of similar debtors.

The factor to be used will be disclosed in the notes the annual financial statement. Provision for impairment is only applicable to debtors who owe for more than 120 days.

Provision not made for housing and sales of erven debtors. Housing and sales of erven debtors account for 20% of the total outstanding debtors. Therefore, only 80% is considered when calculating provision for doubtful debts.

Detailed analysis of age debtors to be done

1.8. Debtors with credit balance

Only debtors with a credit balance more than N\$50 000 will be reclassified to be payable in the statement of financial position.

1.9. Inventory for consumables

Inventory is recognized at the lower of cost, or net realizable value. Inventory is recorded in terms of average cost, with exception to expiry goods which are recognized on the first in, first out.

1.10. Budget information

The annual budget figures have been prepared in accordance with the IPSAS 24. This has to be consistent with the accounting Policies adopted by the council for the preparation of these Annual Financial Statement. The amounts are scheduled as a separate additional financial statement called the statement of Comparison of Budget and Actual amounts.

Applications

Accounting policies is applicable as from 1 July 2018, and all future financial statements are to be prepared on the basis of this policy.