



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ARANDIS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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**REPUBLIC OF NAMIBIA**



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

I have the honor to submit herewith my report on the accounts of the Town Council of Arandis for the financial year ended 30 June 2021 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honorable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 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'.

**WINDHOEK, March 2024**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

100/17

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE ARANDIS TOWN COUNCIL  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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**1. DISCLAIMER AUDIT OPINION**

I have audited the financial statements of the Town Council of Arandis for the financial year ended 30 June 2021. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, and statement of cash flow and notes to the financial statements 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 Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

**2. BASIS FOR DISCLAIMER AUDIT OPINION**

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion. A disclaimer audit opinion is being expressed due to the following:

**2.1 IPSAS 23-Donations in good kind**

The Office of the Auditor-General has given Local Authorities an exemption from paying audit fees from 2019/2020 to the 2023/2024 financial year (5 years).

The auditors noted that the Council did not disclose revenue from non-exchange transaction donations in kind for exemptions on audit fees in compliance with IPSAS 23 paragraph 95 which states as follows:

*“Gifts and donations (other than services in-kind) are recognized as assets and revenue when it is probable that future economic benefits or services potential will flow to the entity and can be measured reliably”.*

It is recommended that the Council should ensure compliance with the IPSAS standards.

## **2.2 Transitional exemption and provision**

The Council adopted transitional exemption and provisions that affect the fair presentation and those that do not affect the fair presentation in its first transitional financial statements, however the Council did not disclose information about the transitional exemptions and provisions adopted as well as the progress made towards fair presentation and compliance with the accrual basis IPSAS in the current financial statement.

It is recommended that the Council should ensure compliance with all the relevant IPSAS standards.

## **2.3 Opening balances**

It was observed that the opening balances reported in the financial statements are not as per the prior year audited report.

It is recommended that the Council should disclose accurate information in the financial statements.

## **2.4 Property, Plant and Equipment**

The auditors were unable to confirm the existence of property, plant and equipment amounting to N\$ 37 851 466 due to incomplete documentation provided.

It is recommended that the Council should ensure that complete documentation are provided upon auditor's request.

## **2.5 Depreciation**

Auditors could not confirm the accuracy of depreciation amounting to N\$ 1 322 310, because the Council asset register was not up to date.

It is recommended that the Council should ensure that the Council assets register is up to date.

## **2.6 Non - submission of supporting of documents**

Supporting documents for property, plant and equipment additions amounting to N\$ 1 039 731 as per the financial statements and work in progress amounting to N\$ 649 243 were not provided for audit purposes.

It is recommended that the Council should ensure that all documents requested are provided for audit purposes.

## **2.7 Provision for dump site**

Auditors observed that the Council did not make provision for a dumping site for its rehabilitation and restoration after its useful life, in accordance to IPSAS 19, paragraph 27.

This IPSAS's states: *"It is only those obligations arising from past events existing independently of an entity's future actions (that is, the future conduct of its activities) that are recognized as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage imposed by legislation on a public sector entity. Both of these obligations would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of that public sector entity. Similarly, a public sector entity would recognize a provision for the decommissioning costs of a defense installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused."*

*IPSAS 17, Property, plant, and equipment, deals with items, including dismantling and site restoring costs, those are included in the cost of an asset. In contrast, because of legal requirements, pressure from constituents or a desire to demonstrate community leadership, an entity may intend or need to carry out expenditure to operate in a particular way in the future. An example would be where a public sector entity decides to fit emission controls on certain of its vehicles, or a government laboratory decides to install extraction units to protect employees from the fumes of certain chemicals. Because the entities can avoid the future expenditure by their future actions – for example, by changing their method of operation – they have no present obligation for that future expenditure, and no provision is recognized."*

It is recommended that the Council should ensure compliance with IPSAS 19, paragraph 27.

## **2.8 Environmental clearance certificate for dumpsite and sewer pond**

The auditors observed that the Council has a dumpsite and sewer pond, however no environmental clearance certificate could be provided, neither has the Council disclosed a provision for a waste fine which amounts to N\$ 500 000 as noted in the Environmental Management Act 2007 (Act No. 7 of 2007) Section 5 paragraph 4 to 5, which states that:

*"A person may not discard or cause to be discarded waste or dispose of it in any other manner, except - (a) at a disposal site declared or approved by the Minister in terms of this section; or (b) in a manner or by means of a facility or method and subject to such conditions as the Minister may prescribe. Any person who contravenes subsection (4) commits an offence and is on conviction liable to a fine not exceeding N\$500 000 or to imprisonment for a period not exceeding 25 years or to both such fine and such imprisonment."*

It is recommended that the Council should ensure compliance with the Environmental Management Act 2007 (Act No. 7 of 2007) Section 5, paragraph 4 to 5.

## **2.9 Estimate cost of dismantle, removing and restoration of site**

The auditors observed that the Council has not recognized an estimated cost for the site restoration as required by IPSAS 17 paragraph 30 or raise provision for the site restoration (decommissioning cost) as required by IPSAS 19 paragraph 27, which state that

*"It is only those obligations arising from past events existing independently of an entity's future actions (that is, the future conduct of its activities) that are recognized as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage imposed by*

legislation on a public sector entity. Both of these obligations would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of that public sector entity. Similarly, a public sector entity would recognize a provision for the decommissioning costs of a defense installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused.

*IPSAS 17, Property, Plant, and Equipment, deals with items, including dismantling and site restoring costs, that are included in the cost of an asset. In contrast, because of legal requirements, pressure from constituents, or a desire to demonstrate community leadership, an entity may intend or need to carry out expenditure to operate in a particular way in the future. An example would be where a public sector entity decides to fit emission controls on certain of its vehicles, or a government laboratory decides to install extraction units to protect employees from the fumes of certain chemicals. Because the entities can avoid the future expenditure by their future actions – for example, by changing their method of operation – they have no present obligation for that future expenditure, and no provision is recognized.” It is recommended that the Council should make provision for a dump site.”*

It is recommended that the Council should ensure compliance with the IPSAS standards.

## **2.10 Open lands**

The Council did not disclose its open lands in the fixed asset register in accordance with IPSAS 23, paragraph 97 which state that *“On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification”*.

For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment.”

It is recommended that the Council should ensure that open land is disclosed in the fixed asset register.

## **2.11 Bulk water purchases**

The auditors could not confirm bulk water purchases expenses amounting to N\$ 3 541 330. Furthermore, January invoices amounting to N\$ 651 152 were processed inclusive of value added tax

It is recommended that the Council ensures that bulk water purchases invoices are provided and processed accurately.

## **2.12 Differences between the financial statements and the bank confirmation**

A difference amounting to N\$ 5 480 525 was noted between the bank balance in the statement of financial position of N\$ 8 949 624 and the amount as per the bank confirmation of N\$ 3 469 099.



It is recommended that the Council should ensure correct disclosure of all bank accounts under the Council profile.

### **2.13 Difference between general ledger and financial statements**

The auditors noted an unexplained difference of N\$ 2 098 293 between cash and cash equivalent amount in the general ledger and the cash disclosed in the statement of financial position.

It is recommended that the Council should ensure that the financial statements and the general ledger are correctly reconciled.

### **2.14 Statement of Cash Flow**

The auditors observed a difference of N\$ 21 179 987 under cash flow from operating activities in the statement of cash flow of N\$ 8 949 582 and the cash flow prepared by the auditors N\$ 30 129 569.

It is recommended that the Council should ensure that the statement of cash flow is prepared correctly.

### **2.15 Bad debts allowance**

Auditors observe a difference of N\$ 4 317 383 between the bad debts allowance disclosed in the financial statements of N\$ 40 936 703 and the provision of bad debt recalculated by auditors of N\$ 45 254 086.

The Council is recommended to ensure that bad debts allowance is correctly calculated and verified before it is disclosed in the financial statements.

### **2.16 Housing loans**

The supporting documents for Housing Loans amounting to N\$ 2 825 860 were not provided for audit purposes.

The Council is recommended to ensure that supporting document for Housing Loan receivables are provided upon auditor's request.

### **2.17 Unexplained debt impairment**

The auditors observed that an unexplained positive debt impairment amounting to N\$ 1 131 460 disclosed in the statement of financial performance under expenses.

The Council should ensure that debt impairment is correctly disclosed and supporting evidence is provided.

### **2.18 Interest rate charged on outstanding debts**

The auditors noted that interest charged on outstanding debts charged on the FINSTEL system and the interest charged calculated by auditors in line with the credit policy is not the same.

The Council is recommended ensure that rate used is in line with the credit policy.

### **2.19 Revaluation loss**

The auditors noted that revaluation loss on investment properties was not disclosed in the financial statements.

The Council is recommended to ensure that revaluation is disclosed in the financial statements.

## **KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the audit opinion thereon, and I do not provide a separate audit opinion on these matters. I have nothing to report in this regard.

### **3. KEY PERFORMANCE INDICATORS (KPI)**

The primary objective of a performance management system is to enable the Town Council to achieve success of the National Development Plan (NDP) and provide improvements in service delivery to the public. A performance management system (PMS) is a systemic process for achievement and improvement in obtaining results from an entity and staff members by managing performance within an agreed framework consisting of objectives, outputs, Key performance indicators (KPI's) and timelines.

Although the strategic plan indicated budgeted amounts, there was no budget and actual amounts on the operation plan. The KPI type was not indicated, which distinguishes weather the key performance information was incremental or decremental.

#### **Social progression**

The action plan for the Small and medium Enterprise support and Local Economic Development interventions are not aligned to the planned activities.

The following supporting documents under the component of infrastructure development and service excellence were not provided as per the strategic plan, the SME Intervention report, LED activity program and business inspection schedule.

#### **Infrastructure development**

The following supporting documents as per the strategic plan were not provided, the maintenance plan, the meter reading plan, the pre-paid metering roll out, property audit report, resolution of tariff structure re-engineering.

#### **Service excellence**

The action steps under the key performance indicator reduction of internal complaints do not address the planned activities, timely procurement and managing operational amnesties were not addressed, the complaint register were not provided.

From the 6 annual objectives sampled from the strategic plan only one objective was achieved.

The Council is recommended to ensure that the objectives of the Strategic plan are achieved.

#### **4. OTHER INFORMATION**

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements my responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

#### **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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor 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 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. 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 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 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 the 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.

#### **6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)**

- The financial statements for the financial year ended 30 June 2021 was submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992), except that for the financial year ended it was only submitted on 10 April 2023 instead of three months after the year end as required by the Act.
- The financial statements for the financial year ended 30 June 2022 have not been submitted at the time of finalising this audit report.

#### **7. ACKNOWLEDGEMENT**

The co-operation and assistance by the management and staff of Town Council of Arandis during the audit is appreciated.



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, March 2024**

## ANNEXURE A

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

		<b>2021</b>	<b>2020</b>
	Note	N\$	N\$
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>26 478 766</b>	<b>21 524 591</b>
Cash and cash equivalents	10	8 949 625	4 946 120
VAT receivable		475 585	772 669
Receivables from exchange transactions	12	16 978 473	15 730 057
Receivables from non-exchange transaction		27 518	28 180
Inventories		47 565	47 565
<b>Non-Current Assets</b>			
		<b>74 224 945</b>	<b>71 794 302</b>
Investment property	17	20 118 430	20 008 809
Property plant and equipment	18	46 750 658	44 494 227
Investment in Erongo Red Equity		4 529 997	4 529 997
Housing loans		2 825 860	2 761 269
<b>TOTAL ASSETS</b>		<b>100 703 711</b>	<b>93 318 893</b>
<b>LIABILITY</b>			
<b>Current Liability</b>			
		<b>12 871 741</b>	<b>9 799 424</b>
Payables under exchange transactions	16	11 562 067	8 804 020
Payables from Non-exchange Transactions	19	1 309 674	995 404
<b>NET ASSETS</b>		<b>87 831 970</b>	<b>83 519 469</b>
<b>Reserves</b>			
Statutory funds		33 535 392	33 328 404
Accumulated surplus		54 296 578	50 191 065
<b>TOTAL NET ASSETS/EQUITY</b>		<b>87 831 970</b>	<b>83 519 469</b>

## THE TOWN COUNCIL OF ARANDIS

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2021 N\$	2020 N\$
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>		<b>11 150 856</b>	<b>15 802 073</b>
Property rates		7 201 553	7 865 084
Transfers from government and related entities	2	3 949 303	7 936 989
<b>Revenue from exchange transactions</b>		<b>35 894 778</b>	<b>27 097 199</b>
Sale of Erven		17 953 114	3 353 640
Service charges	3	7 994 814	14 890 171
Rental of facilities and equipment's usage	4	701 373	769 067
Sale of houses		308 400	60 000
LA Surcharge		-	739 852
Rental income		1 091 523	469 868
Other revenue		3 356 419	30 500
Other Revenue	5	1 924 506	5 144 015
Interest Earned on Investments	6	2 564 629	130 586
Gain on disposal of assets or settlement of liabilities attributable to discontinuing operations		-	1 509 500
<b>TOTAL REVENUE</b>		<b>47 045 634</b>	<b>42 899 272</b>
<b>Expenses</b>		<b>(22 743 879)</b>	<b>(23 719 088)</b>
Bulk purchases	7	(7 221 487)	(2 562 403)
Employee costs	8	(9 776 711)	(11 305 876)
Remuneration of Councillors		(490 904)	(509 293)
Depreciation and amortisation expense		(1 407 736)	(1 394 900)
Repairs and maintenance		(269 615)	(484 492)
Debt impairment		1 131 460	(2 005 043)
General expenses	9	(4 708 886)	(5 188 324)
Interest paid		-	(268 757)
<b>SURPLUS FOR THE YEAR</b>		<b>24 301 755</b>	<b>19 180 184</b>

**THE TOWN COUNCIL OF ARANDIS**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE**

	<b>Other NDR</b>	<b>Accumulated surplus</b>	<b>Total net assets/equity</b>
	N\$	N\$	N\$
<b>Opening balance as at 01 July 2018</b>	32 885 381	33 790 130	66 675 511
Adjustments			
Prior year adjustments	-	(2 779 249)	(2 779 249)
<b>Balance at 01 July 2019 as restated*</b>	<b>32 885 381</b>	<b>31 010 881</b>	<b>63 896 262</b>
Changes in net assets/equity			
Direct adjustment	443 023	-	443 023
Net income (losses) recognised directly in net assets	443 023	-	443 023
Surplus for the year	-	19 180 184	19 180 184
<b>Total changes</b>	<b>443 023</b>	<b>19 180 184</b>	<b>19 623 207</b>
Opening balance as previously reported	33 328 404	6 914 515	40 242 919
Prior year adjustments	-	23 080 308	23 080 308
<b>Balance at July 1, 2020 as restated*</b>	<b>33 328 404</b>	<b>29 994 823</b>	<b>63 323 227</b>
Changes in net assets/equity			
Surplus for the year	-	24 301 755	24 301 755
Direct adjustment	206 988	-	206 988
<b>Total changes</b>	<b>206 988</b>	<b>24 301 755</b>	<b>24 508 743</b>
<b>Balance at June 30, 2021</b>	<b>33 535 392</b>	<b>54 296 578</b>	<b>87 831 970</b>



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

	Note	<u>2021</u>	<u>2020</u>
		N\$	N\$
<b>Cash flows from operating activities</b>			
Surplus		24 301 755	19 180 184
<b>Adjustments for:</b>			
Depreciation and amortisation expense		1 407 736	1 394 900
Loss on disposal of assets or settlement of liabilities attributable to discontinuing operations		-	(1 509 500)
Debt impairment		(1 131 460)	2 005 043
Direct adjustments to net assets (cash)		(21 179 987)	(4 569 704)
<b>Changes in working capital:</b>			
Receivables from exchange transactions		(1 248 416)	(5 424 445)
Debt impairment		3 173 166	(2 005 043)
Other receivables from non-exchange transactions		662	(28 180)
Payables under exchange transactions		2 758 050	(121 846)
Value added tax		297 084	630 049
Taxes and transfers payable		314 270	995 404
<b>Net cash flows from operating activities</b>		<u><b>8 692 860</b></u>	<u><b>10 546 862</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(4 624 764)	(6 506 578)
Proceeds from sale of financial assets		-	(174 147)
Decrease / (Increase) in long-term receivables		(64 591)	-
Proceeds from sale of housing loans		-	1 161 102
<b>Net cash flows from investing activities</b>		<u><b>(4 689 355)</b></u>	<u><b>(5 519 623)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 003 505</b>	<b>5 027 239</b>
Cash and cash equivalents at the beginning of the year		4 946 120	(81 119)
<b>Cash and cash equivalents at the end of the year</b>	10	<u><b>8 949 625</b></u>	<u><b>4 946 120</b></u>

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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**ACCOUNTING POLICIES**

**1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with audit Auditor-General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended.

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.

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

The financial statements have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSASs). The financial statements have been prepared using the historical accounting basis. IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards allows a first-time adopter a period of up to 3 years to recognise and/or measure certain assets and liabilities.

**Transitions statement**

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, The Town Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020. The Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2022 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that Arandis Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The council has made minimum progress towards such compliance; however, management shall relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
(Continued)**

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**1. Presentation of Annual Financial Statements (Continued)**

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

IPSAS 5 Borrowing Costs  
 IPSAS 12 Inventories  
 IPSAS 16 Investment Property  
 IPSAS 17 Property, Plant and Equipment  
 IPSAS 19 Provision, Contingent liabilities and Contingent Assets  
 IPSAS 20 Related Party Disclosure  
 IPSAS 30 Financial Instruments  
 IPSAS 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

**IPSAS's to be adopted in full during 2021/2022 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

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### **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 council.

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset outing IPSAS9 (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 council, 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 town council is satisfied that recognition of the revenue in the current year is appropriate.

#### **Impairment of Financial Assets**

Accounting Policy 1.8 on **Financial Instruments** sub-paragraph **Impairment of Financial Assets** describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the council 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 council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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

**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 , council depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

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

Accounting Policy 1.6 on Impairment of Assets, Accounting Policy on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 1.9 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the council. 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 17, 19, and 18 to the Annual Financial Statements, if applicable.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
(Continued)**

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## **1.2 Revenue from non-exchange transactions**

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

### **Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different ratetariffs 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 council 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 council's interest, it is recognised as interest earned in Surplus or Deficit.

### **Fines**

Fines constitute both spot fines and summonses.

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

### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the council, and the fair value of the assets can be measured reliably.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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

### **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.

### **Services in-kind**

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

## **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 entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the council; 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 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 meter have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### 1.3 Revenue from exchange transactions (continued)

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

#### Rentals received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease 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 council for no or nominal consideration (i.e. anon-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>
Buildings	
<input type="checkbox"/> Improvements	50
Other	
<input type="checkbox"/> Computer equipment	4
<input type="checkbox"/> Furniture and fittings	4
<input type="checkbox"/> Motor vehicles	5
<input type="checkbox"/> Office equipment	5
<input type="checkbox"/> Plant & equipment	4-50



**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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#### **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 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.

##### **1.5.1 Town Council 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, council 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

Council 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 TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### **1.5.2 Town Council 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 outstanding in respect of the leases or instalment sale agreements.

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

### **1.6 Impairment of cash-generating assets**

The Town Council 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 Town Council 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 Council 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.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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**1.6 Impairment of cash-generating assets (continued)**

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

**1.7 Impairment of non-cash-generating assets**

The Council 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 service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

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

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

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

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

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

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### 1.8 Financial instruments

The Town Council 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 Town Council does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and council intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Fair Value Methods and Assumptions

The fair value of financial instruments are determined as follows:

- the fair values of quoted investments are based on current bid prices;
- the market for a Financial Asset is not active (and for unlisted securities), council 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>Type of Financial Asset</b>	<b>Classification in terms of IPSAS 41</b>
Receivable from exchange transactions	Financial asset measured at amortised cost
investment in equity	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Prepayment	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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**1.8 Financial instruments (continued)**

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 Council 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>Type of Financial Liability</b>	<b>Classification in terms of IPSAS 41</b>
Payables under exchange transactions	Financial liability measured at amortised cost
Payables under non-exchange transactions	Financial liability measured at amortised cost

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

**Financial Assets:**

At Fair Value through Surplus or Deficit

Financial Assets at Fair Value through Surplus and Deficit are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in Surplus or Deficit.

Financial assets measured at amortised cost

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### **1.8 Financial instruments (continued)**

#### 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 insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

#### Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the town council will not be able to collect all amounts due according to the original terms of receivables. The provision is made where by the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated 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 TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### **1.8 Financial instruments (continued)**

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.

#### **Derecognition**

##### **Financial assets**

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

##### **Financial liabilities**

The Town Council derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The Town Council 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.

### **1.9 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 town council 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.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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### **1.9 Inventories (continued)**

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.

#### **Water Inventory**

Water is regarded as Inventory when council 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 council 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 TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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**1.9 Inventories (continued)**

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.

**1.10 Provisions and contingencies**

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

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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**1.10 Provisions and contingencies (continued)**

**Contingent assets and contingent liabilities**

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

**1.11 Employee benefits**

Employee benefits are all forms of consideration given by a town council 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 town council recognises the expected cost of performance bonuses only when the town council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**Post-employment benefits**

The Town Council provides retirement benefits for its employees. They are all defined contribution post-employment plans.

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an council pays fixed contributions into a separate council (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.

**1.12 Borrowing costs**

The Council 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.

**1.13 Related parties**

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**(Continued)**

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#### **1.14 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 council and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation.

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

#### **1.15 Going concern assumption**

The Town Council was not spared from the impact of Covid-19 and related effects. However, the town council have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 20 to the Annual Financial Statements.

#### **1.16 Investments in equity**

An investment in an associate is carried at cost less any accumulated impairment.

#### **1.17 Unauthorised expenditure**

Unauthorised expenditure means:

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

#### **1.18 Net assets**

##### **Accumulated Surplus**

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

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
(Continued)**

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**1.19 Grants-In-Aid**

The town council transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the town council 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.

**1.20 Value Added Tax**

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

**1.21 Material losses**

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

**1.22 Events after reporting date**

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

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (Continued)**

	2021	2020
	N\$	N\$
<b>2. Transfers from government and related entities</b>	<b>3 949 303</b>	<b>7 936 989</b>
Road Fund Administration	861 186	100 585
GRN - Development capital	3 088 117	7 836 404
<b>3. Service charges</b>	<b>7 994 814</b>	<b>14 890 171</b>
Other service charges	-	1 319 647
Sale of water	669 682	6 996 858
Sewerage and sanitation charges	3 459 001	3 282 647
Refuse removal	3 453 544	3 291 019
Departmental Levies	412 587	-
<b>4. Rental of facilities and equipment's</b>	<b>701 373</b>	<b>769 067</b>
Rental income - related party	681 740	755 357
Rental income Type 3_4	19 633	13 710
<b>5. Other income</b>	<b>1 924 506</b>	<b>5 144 015</b>
Disconnection and reconnection fees	366 895	622 071
Road infrastructure fees	1 557 611	4 501 028
Fire Brigade Fees	-	20 916
<b>6. Interest received-investment</b>	<b>2 564 629</b>	<b>130 586</b>
Interest charged on trade and other receivables	2 476 944	-
Interest received - other	87 685	130 586
<b>7. Bulk purchases</b>	<b>7 221 487</b>	<b>2 562 403</b>
Electricity	-	845 088
Water	7 221 487	1 717 315

Bulk Purchases are the cost of commodities not generated by the Town Council, which the council distributes in the municipal area for resale to the consumers. Water is purchased from NamWater.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (Continued)**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>8. Employee related costs</b>	<b>9 776 711</b>	<b>11 305 876</b>
Basic	4 637 449	4 974 355
Bonus	330 652	286 117
Medical aid - company contributions	1 226 072	1 203 329
Social Security	-	460 233
WCA	79 205	184 589
SDL	30 169	16 079
Leave pay provision charge	209 826	1 283 288
Overtime payments	322 087	342 711
Transport allowance	196 256	195 372
Car allowance	325 991	345 886
Housing benefits and allowances	1 385 050	1 396 013
Other allowances	15 890	23 430
Cellphone allowance	73 050	80 356
Defined Benefit Plan Expense: current service cost	945 014	514 118
	<b>4 708 886</b>	<b>5 188 324</b>
<b>9. General expenses</b>		
Advertising	30 683	60 302
Bank charges	203 929	177 886
Catering & Entertainment Cost	196 281	124 391
Cleaning	1 470 199	1 377 918
Computer expenses	108 155	80 406
Consulting and professional fees	(17 182)	554 776
Donations	44 436	6 500
Hiring of Facilities & Equipment	110 050	50 446
Insurance	250 873	257 615
Conference expenses	-	67 320
Levies - 5% Regional Council	142 486	172 836
Motor vehicle expenses	165 647	73 627
Other expenses	349 329	401 812
Pest control	-	3 510
Postage, courier and telephone	47 566	49 751
Printing and stationery	203 079	311 547
Protective clothing	14 737	49 596
Security (Guarding of municipal property)	514 604	484 159
Subscriptions and membership fees	30 000	43 244
Telephone and fax	394 866	340 236
Training	55 889	55 924
Travel - local	372 074	338 782
Uniforms	21 185	105 740

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (Continued)**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>10. Cash and cash equivalents</b>	<b>8 949 625</b>	<b>4 946 120</b>
Bank balances	6 024 173	1 556 388
Short-term deposits	2 925 452	3 389 732

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 town council in terms of the utilisation of its Cash and Cash Equivalents.

Short term deposits consist of Call Deposits and Fixed deposits:

Call and Notice Deposits

<b>11. VAT receivable</b>	<b>475 585</b>	<b>772 669</b>
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VAT is payable in terms of section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment, whichever is the earlier.

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

<b>12. Receivables from exchange transactions</b>	<b>16 978 473</b>	<b>15 730 057</b>
Trade debtors	16 971 649	15 697 427
Employee costs in advance	6 824	3 208
Other receivables	-	29 422

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

The Council did not pledge any of its Receivables as security for borrowing purposes.

Allowance for Impairment:

At 30 June 2021 Receivables from Exchange Transactions of N\$40 936 703 (30 June 2020: N\$44 109 869) were impaired and fully provided for.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (Continued)**

	2021	2020
	N\$	N\$
<b>13. Recoverable from non-exchange transaction</b>	<b>27 518</b>	<b>28 180</b>

**Suspense Accounts** are in respect of temporary advances made in the normal month-to-month operations of the council, not recovered at year-end.

The Council does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

**Allowance for Impairment**

The Allowance for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Allowance for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability

<b>14. Housing loans</b>	<b>2 825 860</b>	<b>2 761 269</b>
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The long term receivables are composed of the following:

**DEVELOPMENT AND HOUSING**

Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at an interest rate of 4,00% per annum, repayable over a maximum period of 20 years.

The Town Council does not hold deposits or any other security for its Long-term Receivables.

<b>15. Inventories</b>	<b>47,565</b>	<b>47,565</b>
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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 town council.

<b>16. Payables under exchange transactions</b>	<b>11 562 067</b>	<b>8 804 020</b>
Trade payables	7 217 285	4 866 313
Leave Provisions	1 242 146	1 888 715
Accrued expense	1 959 187	266 718
Deposits received	1 143 447	1 241 087
Overdue Government loans	2	541 187

**Staff Leave:**

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



**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

**17. Investment property**

	2021	2020	
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation and accumulated impairment
N\$	N\$	N\$	N\$
Investment property	20 118 430	-	20 008 809
			-
			20 008 809

**Reconciliation of investment property-2021**

Investment property	Opening balance	Transfers	Total
	N\$	N\$	N\$
Investment property	20 008 809	109 621	20 118 430

**Reconciliation of investment property-2020**

Investment property	Opening balance	Transfers	Total
	N\$	N\$	N\$
Investment property	-	20 008 809	20 008 809

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

**17. Investment property (continued)**

All of the council's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the council.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

**Investment Property carried at Fair Value**

The council's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the town council at the reporting date.

**18. Property, plant and equipment**

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Work in progress	8 899 192	-	8 899 192	5 423 780	-	5 423 780
Other assets	39 173 776	(1 322 310)	37 851 466	40 465 347	(1 394 900)	39 070 447
<b>Total</b>	<b>48 072 968</b>	<b>(1 322 310)</b>	<b>46 750 658</b>	<b>45 889 127</b>	<b>(1 394 900)</b>	<b>44 494 227</b>

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

**18. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment-2021**

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Work in progress	5 423 780	3 585 033	(109 621)	-	-	8 899 192
Other assets	39 070 447	1 039 731	-	(936 402)	(1 322 310)	37 851 466
	<b>44 494 227</b>	<b>4 624 764</b>	<b>(109 621)</b>	<b>(936 402)</b>	<b>(1 322 310)</b>	<b>46 750 658</b>

**Reconciliation of property, plant and equipment-2020**

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Working in progress	-	5 423 780	-	-	-	5 423 780
Other assets	55 881 762	1 082 798	(15 225 702)	(1 273 511)	(1 394 900)	39 070 447
	<b>55 881 762</b>	<b>6 506 578</b>	<b>(15 225 702)</b>	<b>(1 273 511)</b>	<b>(1 394 900)</b>	<b>44 494 227</b>

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>19. Payables from Non-exchange Transactions</b>	<b>1 309 674</b>	<b>995 404</b>
Unallocated receipts	353 263	230 840
Suspense accounts	956 411	764 564

**Suspense Accounts** are in respect of temporary advances received in the normal month-to-month operations of the council, not settled at year-end.

**20. 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 Council 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 is one of key council in Erongo and it is in public interest that council 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.

**21. Events after the reporting date**

No events having financial implications requiring disclosure occurred subsequent to the financial year end.