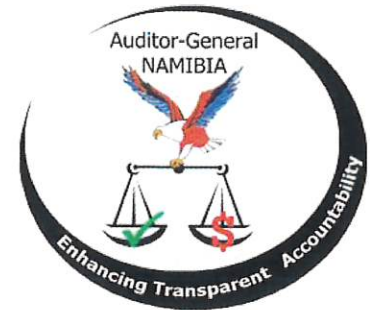




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF OMARURU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 AND 2021

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TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Omaruru for the financial years ended 30 June 2022 and 2021 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, September 2024

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OMARURU
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2022 AND 2021**

1. DISCLAIMER OF OPINION

I have audited the financial statements of the Municipality of Omaruru for the financial years ended 30 June 2022 and 2021 provided by the Accounting Officer as attached in Annexure A – D. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flow, statement of budget vs actual and notes to the annual financial statements for the years then ended, including a summary of significant accounting policies.

I do not express an opinion on the financial statements of the Municipality of Omaruru. Because of the significance of the matters described in the Basis for Disclaimer of 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 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 in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for the audit opinion. A disclaimer audit opinion is being expressed due to the following:

2.1 Fixed asset register

The fixed assets register was found to be inadequate to ascertain the existence, completeness and valuation of the Municipality's property, plant and equipment amounting to N\$ 77 575 407 (2022) and N\$ 73 530 094 (2021) respectively.

2.2 Open land

According to the Public Sector Conceptual Framework, an entity must recognize a resource as an asset if it meets the definition of an asset as well as the recognition criteria. The Council have open land, however this land is not disclosed in the financial statements for the two years under review.

2.3 Classes of property, plant and equipment

According to IPSAS 17 par 74, the item of land and building must be disclosed separately, however the Council did not make a separate disclosure. Auditors were therefore not able to determine and verify the land value from the N\$ 9 138 356 (2022) and N\$ 9 447 661 (2021) disclosed in the financial statements as building on note 19.

2.4 Depreciation

It was noted that the Council has been depreciating its assets on a net book value using the straight line method. This is contrary to the principles of straight line method.

2.5 Recoverability of receivables

The Council have a policy of providing for debts which are outstanding for more than 120 days. Based on the audit tests performed, it was noted that the provision made is not sufficient in relation to the debtor's payment trends. Receivable from exchange transaction is therefore materially misstated in terms of valuation by an amount of N\$ 956 066 (2022) and N\$ 1 655 976 (2021) respectively.

2.6 Inventories

The Council did not provide the supporting documents for inventories amounting to N\$ 3 053 438 (2022) for the verification of completeness, existence and valuation of the balance disclosed at the year.

2.7 Sales of erven

The Council did not provide the supporting documents for sales of erven amounting to N\$ 3 509 167 (2021).

2.8 Property taxes

A material difference between the billing systems and the auditor's testing amounting to N\$ 2 885 707 (2022) was noted. This is due to some customers billed at incorrect tax rate.

2.9 Revenue from water sales

A material difference between the billing systems and the financial statements amounting to N\$ 2 612 511 (2022) was noted.

2.10 Investment in associate

A material difference amounting to N\$ 7 927 968 (2022) and N\$ 8 272 560 (2021) was noted between the amount disclosed in the financial statements of N\$ 6 225 100 in both years and the amount confirmed by Erongo Red of N\$ 14 153 068 (2022) and N\$ 14 497 660 (2021) respectively.

3. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and legislation and for such internal control as management determines is 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.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions 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 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 auditor's 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 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 were submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992, (Act 23 of 1992) except that they were only submitted to the Auditor-General on 22 February 2024(2022) and 19 May 2023 (2021) instead of three months after the financial year-end.

8. ACKNOWLEDGEMENT

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

WINDHOEK, September 2024



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

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

		2022	2021	2020
	Note	N\$	N\$	N\$
CURRENT ASSETS		14 638 379	17 882 576	17 787 624
Cash and cash equivalents	15	4 837 969	10 543 456	9 125 846
Consumer debtors	16	4 884 090	5 931 723	6 515 055
VAT receivable	17	1 667 107	1 011 675	1 867 962
Receivables from exchange transactions	18	195 775	197 749	-
Inventories		3 053 438	197 973	278 761
NON-CURRENT ASSETS		87 938 588	83 578 507	81 053 022
Property, plant and equipment	20	77 575 407	73 560 094	70 985 484
Investments in associates	21	6 225 100	6 225 100	6 225 100
Housing loans	19	4 138 081	3 793 313	3 842 438
TOTAL ASSETS		102 576 967	101 461 083	98 840 646
LIABILITIES				
CURRENT LIABILITIES		13 756 543	9 957 282	11 071 551
Payables under exchange transactions	22	10 755 696	7 486 382	9 639 445
Finance lease obligation	23	371 392	-	-
Other financial liabilities	24	2 629 455	2 470 900	1 432 106
NON-CURRENT LIABILITIES		1 935 584	456 616	1 397 845
Finance lease obligation	23	1 539 956	-	1 397 845
Other financial liabilities	24	395 628	456 616	-
TOTAL LIABILITIES		15 692 127	10 413 898	12 469 396
NET ASSETS		86 884 840	91 047 185	86 371 250
Reserves Statutory funds		12 004 716	11 518 633	83 988 153
Accumulated surplus		74 880 124	79 528 552	2 383 097
TOTAL EQUITY AND LIABILITIES		102 576 967	101 461 083	98 840 646

ANNEXURE B

THE MUNICIPALITY OF OMARURU

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2022 N\$	2021 N\$	2020 N\$
REVENUE FROM NON-EXCHANGE TRANSACTIONS				
TAXATION REVENUE				
Property rates	2	8 758 065	8 559 981	8 419 125
TRANSFER REVENUE				
Transfers from government entities	3	3 824 700	7 533 313	5 770 884
Fines, penalties and levies		766 042	794 403	723 838
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		13 348 807	16 887 697	14 913 847
REVENUE FROM EXCHANGE TRANSACTIONS				
Service charges	4	15 061 687	14 922 162	14 251 256
Sale of erven		218 329	3 815 413	13 853 619
Rental of facilities and equipment	5	735 272	581 241	515 429
Interest received	6	82 139	103 693	77 638
Licences and permits		257 735	208 172	209 987
Municipal Revenue UD2		415 722	304 324	342 757
Miscellaneous other revenue		301 400	141 473	96 571
Commissions received		33 667	38 020	41 386
Surcharges received		1 228 359	1 307 352	1 138 731
Other general income		464 830	884 462	423 048
Interest on overdue accounts		1 690 727	3 069 101	2 649 526
TOTAL REVENUE		33 838 674	42 263 110	48 513 795

ANNEXURE B

THE MUNICIPALITY OF OMARURU
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
(continued)

	Note	2022 N\$	2021 N\$	2020 N\$
EXPENSES				
Employee costs	7	18 482 727	18 917 435	18 862 124
Remuneration of councillors	8	559 779	569 023	569 023
Depreciation and amortisation expense	9	4 671 866	4 006 306	4 367 370
Repairs and maintenance	10	234 313	328 320	70 792
Debt impairment	11	1 955 424	6 311 805	7 567 266
General Expenses	12	10 666 078	12 775 774	16 002 205
Interest paid	13	152 393	116 033	143 395
Loss on disposal of assets and liabilities		-	267 193	-
TOTAL EXPENSES		36 722 580	43 291 889	47 582 175
SURPLUS/(DEFICIT) FOR THE YEAR		(2 883 906)	(1 028 779)	931 620

ANNEXURE C

THE MUNICIPALITY OF OMARURU

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

	Other NDR N\$	Accumulated surplus N\$	Total net assets/equity N\$
Balance at 1 July 2019	84 051 511	1 451 478	85 502 989
Direct adjustments to funds	(63 358)	-	(63 358)
Surplus for the year	-	931 620	931 620
Total changes	(63 358)	931 620	868 262
Balance at 1 July 2020	83 988 153	2 383 098	86 371 251
Changes in net assets			
Direct adjustments to net assets	592 799	2 821 381	3 414 180
Other adjustments	2 290 533	-	2 290 533
Net income (losses) recognised directly in net assets	2 883 332	2 821 381	5 704 713
Deficit for the year	-	(1 028 779)	(1 028 779)
Total recognised income and expenses for the year	2 883 332	1 792 602	4 675 934
IPSAS adjustments	(75 352 852)	75 352 852	-
Total changes for the year	(72 469 520)	77 145 454	4 675 934
Balance at 30 June 2021	11 518 633	79 528 555	91 047 185
Adjustments			
Correction of errors	-	(1 665 118)	(1 665 118)
Prior year adjustments	-	(99 407)	(99 407)
Balance at 1 July 2021 as restated*	11 518 633	77 764 030	89 282 663
Changes in net assets			
Deficit for the year	-	(2 883 906)	(2 883 906)
Direct adjustments to net assets	486 083	-	486 083
Total changes	486 083	(2 883 906)	(2 397 823)
Balance at 30 June 2022	12 004 716	74 880 124	86 884 840

* Refer to note 24 for the restatement done

THE MUNICIPALITY OF OMARURU
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE

		2022	2021	2020
	Note	N\$	N\$	N\$
Cash flows from operating activities				
Surplus/(Deficit) for the year		(2 883 906)	(1 028 779)	931 620
Adjustments for:		7 144 247	16 289 764	11 871 313
Depreciation and amortisation expense		4 671 866	4 006 306	4 367 370
Gain on sale of assets and liabilities		-	267 193	-
Finance costs - Finance leases		130 277	-	-
Debt impairment		1 955 424	6 311 805	7 567 266
Direct adjustments to net assets		386 680	5 704 460	(63 323)
Changes in working capital:		(1 147 400)	(7 142 209)	(3 546 477)
Inventories		(2 855 465)	80 788	(87 042)
Receivables from exchange transactions		1 974	(5 034)	2 033 441
Consumer debtors		(907 791)	(5 921 188)	(7 567 266)
Payables under exchange transactions		3 269 314	(2 153 062)	1 749 728
VAT		(655 432)	856 287	324 662
Net cash flows from operating activities		3 112 941	8 118 776	9 256 456
Cash flows from investing activities				
Purchase of property, plant and equipment	20	(10 352 298)	(6 847 856)	(5 088 181)
Increase in Long-term Receivables		(344 768)	-	(3 842 438)
Proceeds from sale of housing loans		-	49 125	-
Net cash flows from investing activities		(10 697 066)	(6 798 731)	(8 930 619)
Cash flows from financing activities				
Repayment of loans		97 567	97 565	116 413
Finance lease payments		1 781 071	-	-
Net cash flows from financing activities		1 878 638	97 565	116 413
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year		(5 705 487)	1 417 610	442 250
Cash and cash equivalents at the end of the year	15	4 837 969	10 543 456	9 125 845

ANNEXURE E

THE MUNICIPALITY OF OMARURU

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Approved and final budget	Actual amount	Difference between final budget and actual	Reference
	N\$	N\$	N\$	
REVENUE FROM NON-EXCHANGE TRANSACTIONS				
TAXATION REVENUE				
Property rates	(12 374 767)	(8 758 065)	(3 616 702)	R1
OTHER REVENUE				
Transfers from other government entities	(1 957 300)	(3 824 700)	1 867 400	R2
Fines, penalties and levies	(1 331 846)	(766 042)	(565 804)	R3
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS	(15 663 913)	(13 348 807)	(2 315 106)	
REVENUE FROM EXCHANGE TRANSACTIONS				
Service charges	(19 668 107)	(15 061 687)	(4 606 420)	R4
Sale of erven	(21 068 250)	(218 329)	(20 849 921)	R6
Rental of facilities and equipment	(1 005 513)	(735 272)	(270 241)	
Interest received (trading)	(250 500)	(82 139)	(168 361)	
Licences and permits	(412 138)	(257 735)	(154 403)	
Municipal Revenue UD2	(400 000)	(415 722)	15 722	
Miscellaneous other revenue	(320 320)	(301 400)	(18 920)	
Commissions received	(10 000)	(33 667)	23 667	
Surcharges received	(3 808 308)	(1 228 359)	(2 579 949)	R5
Other general income	(1 619 500)	(464 830)	(1 154 670)	R8
Interest Earned - Outstanding	(3 500 000)	(1 690 727)	(1 809 273)	R7
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	(52 062 636)	(20 489 867)	(31 572 769)	

ANNEXURE E

**THE MUNICIPALITY OF OMARURU
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**
(continued)

	Approved and final budget	Actual amount	Difference between final budget and actual	Reference
	N\$	N\$	N\$	
TOTAL REVENUE	(67 726 549)	(33 838 674)	(33 887 875)	
EXPENDITURE				
Employee costs	23 651 046	18 482 727	5 168 319	R9
Remuneration of councillors	1 046 507	559 779	486 728	R9
Depreciation and amortisation - expense		4 671 866	(4 671 866)	R10
Repairs and maintenance	830 000	234 313	595 687	R11
Debt impairment		1 955 424	(1 955 424)	R10
General Expenses	21 918 224	10 666 078	11 252 146	R12
Interest paid	262 912	152 393	110 519	
TOTAL EXPENDITURE	47 708 689	36 722 580	10 986 109	
DEFICIT FOR THE YEAR	(20 017 860)	2 883 906	(22 901 766)	

Note: Council is not required to prepare and publish budgets for financial position and cash flow, thus exempted in terms of IPPSAS 24.5, from preparing the Statement of Comparison of Budget and Actual Amounts for those statement.

R1: The line item was over budgeted based on anticipated new developments.

**THE MUNICIPALITY OF OMARURU
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

- R2: The difference emanates from timing difference as result of how budgetary funds are released from Road Fund Authority.
- R3: Fewer fines and related were issued compared to the projection during the budget.
- R4: Due to continued impact of COVID - 19 there was less industrial and commercial activities, hence less demand for water, sewer and electricity by commercial and industrial entities. As such the budget target was not achieved.
- R5: The negative variance is due to over budgeting for surcharges levy.
- R6: The negative variance is due to overbudgeting as prior year it was just N\$3m and the expected land sale deals did not material.
- R7: The variance is due to council passing a council resolution sometime in November 2021, to stop charging interest on arrears.
- R8: The negative variance is due to over budgeting for other geeral income.
- R9: The negative variance is due to positions not being filled.
- R10: No budgetary provision was made for non - cash item.
- R11: The item was over - budgeted for Depreciation and impairment of assets are non cash items thus not budgeted for Ministerial approval .
- R12: The line item was over - budgeted for due to council not raise needed income.

**THE MUNICIPALITY OF OMARURU
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 ministry 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, Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, 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 Municipal Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2023 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 the Municipal 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 make use of relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance, see note 29.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

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

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

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

THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)

IPSAS 22 Disclosure of information about the General Government Sectors
IPSAS 24 Presentation of Budget Information in the Financial Statements

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

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.

1.1 PRESENTATION CURRENCY

These annual financial statements are presented in Namibia Dollar, which is the functional currency of the entity and the amount have been rounded to the nearest Dollar.

1.2 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 municipal council's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Significant judgements and sources of estimation uncertainty-revenue recognition

Accounting Policy 1.4 on Revenue from exchange transactions and Accounting Policy 1.3 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the Municipal Council.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

Significant judgements and sources of estimation uncertainty-revenue recognition (continued)

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

Estimation of meter readings:

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

Estimation of unused prepaid metered services:

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to year-end are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers.

Impairment of financial assets

Accounting Policy 1.10 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 Municipal 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 MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (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 1.5, and 1.6, Council depreciates its Property, Plant and 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 and Equipment, Intangible Assets, Investment Property and Inventories

Accounting Policy 1.8 on Impairment of Assets, Accounting Policy 1.6 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 1.11 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipal 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 Property , Plant and Equipment (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 , 20, and to the Annual Financial Statements, if applicable.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the council, which represents an increase in net assets, other than increases relating to contributions from 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 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 council 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 council's interest, it is recognised as interest earned in Surplus or Deficit.

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.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.4 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from exchange transactions measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods (Including houses)

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

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

Service charges

Service Charges are levied in terms of the approved tariffs.

Service Charges relating to water is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter shave 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.t

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.

Prepaid water

Revenue from the sale of water prepaid meter cards are recognised at the point of sale. Revenue from the prepaid sales are recognised based on an estimate of the prepaid service consumed as at the reporting date.

Rentals received

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

Finance income

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

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of Property, Plant and Equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of Property, Plant and Equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of Property, Plant and Equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets other than land is calculated on cost, using the reducing balance 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 MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)

1.5 PROPERTY, PLANT AND EQUIPMENT (continued)

The useful lives of items of Property, Plant and Equipment have been assessed as follows:

Item	Average useful life
Land	Infinite
Buildings -Improvements	50
Infrastructure	10-20
Computer equipment	5
Furniture and fittings	8-15
Motor vehicles	5
Office equipment	5
Plant & equipment	4-15

Land

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

Incomplete Construction Work

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

Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by council or, where shorter, the term of the relevant lease if there is no reasonable certainty that the council will obtain ownership by the end of the lease term.

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.

Transitional provision

Council elected to adopt the Accrual Based IPSAS framework with effect from 01 July 2020. Furthermore, it chose the same date as the beginning of the transitional period with a view to take advantage of the exemptions provided by IPSAS 33 paragraph 36 and 38 (2020). Therefore the initial measurement of an item of Property, Plant and Equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

Council used the transitional provision in IPSAS 17 (2020) which provide entities with a period of up to three years to recognise all Property, Plant and Equipment and make the associated measurement and disclosure from the date of its first application.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.6 INTANGIBLE ASSETS

Initial recognition.

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

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with IPSAS 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

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

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

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

Subsequent measurement, amortisation and impairment

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

Derecognition

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.7 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.

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 Council as a lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Council'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 council's net investment out standing in respect of the leases or instalment sale agreements.

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

1.8 IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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

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

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

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.8 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

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

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

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

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

1.9 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 MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)

1.9 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (CONTINUED)

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

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

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

1.10 FINANCIAL INSTRUMENTS

The 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 Council does not offset a financial Asset and a financial liability unless a legally enforceable right to setoff the recognised amounts currently exist and the 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), the 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;

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.10 FINANCIAL INSTRUMENTS (continued)

CLASSIFICATION

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

Class	Category
Loan 1	Financial asset measured at amortised cost
Loan 2	Financial asset measured at amortised cost
Loan 3	Financial asset measured at amortised cost
Other receivables 1	Financial asset measured at amortised cost
Other receivables 2	Financial asset measured at amortised cost
Other financial asset 1	Financial asset measured at fair value

Trade and other receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

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

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

Class	Category
Loan 1	Financial liability measured at amortised cost
Loan 2	Financial liability measured at amortised cost
Loan 3	Financial liability measured at amortised cost

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

INITIAL AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES FINANCIAL ASSETS:

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.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.10 FINANCIAL INSTRUMENTS (continued)**Held-to-maturity investments**

Held-to-Maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an Effective Yield Basis.

Loans and receivables

Loans and Receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Loans and Receivables are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

Available-for-sale investments

Available-for-Sale Investments are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in Surplus or Deficit, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in Surplus or Deficit.

FINANCIAL LIABILITIES:**At Fair Value through Surplus or Deficit**

Financial liabilities that are measured at fair value through Surplus or Deficit are stated at Fair Value, with any resulted gain or loss recognised in Surplus or Deficit.

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.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.10 FINANCIAL INSTRUMENTS (continued)

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 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 carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

FINANCIAL ASSETS AVAILABLE-FOR-SALE

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

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.10 FINANCIAL INSTRUMENTS (continued)

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

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

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

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

- a social benefit in accordance with the framework for the preparation and presentation of financial statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the standard of IPSAS on revenue from Non-exchange transactions (Taxes and Transfers), where it is the recipient of the loan.

**FINANCIAL INSTRUMENTS DERECOGNITION
FINANCIAL ASSETS**

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

THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

The Council derecognises financial liabilities when, and only when, Council's obligations are discharged, cancelled or they expire.

The 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.

1.11 INVENTORIES

Initial recognition

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

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

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

Subsequent measurement

Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the First in-in-First out Method(FIFO).

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.11 INVENTORIES (continued)**Water inventory**

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

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

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

Other arrangement

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

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

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

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

THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)

1.12 PROVISIONS AND CONTINGENCIES (continued)

The best estimate of the expenditure required to settle the present obligation is the amount that the 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 council'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 MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

Contingent assets and contingent liabilities

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

1.13 Employee benefits

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

Employee benefits-short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- 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 Council recognises the expected cost of performance bonuses only when the Council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The council provides retirement benefits for its employees.

Post-employment benefits: defined contribution plans

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

Post-employment benefits: defined contribution plans (continued)

The council's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.14 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.

1.15 RELATED PARTIES

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

1.16 GOING CONCERN ASSUMPTION

At 30 June 2021 the council have prepared the Annual Financial Statements under the going concern assumption, based on management assumptions as set out in Note 27 to the Annual Financial Statements.

1.17 HERITAGE ASSETS

None

1.18 INVESTMENTS IN ASSOCIATES

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

1.19 FRUITLESS AND WASTEFUL EXPENDITURE

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

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.20 NET ASSETS STATUTORY FUND

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992). The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund. Unexpended moneys in the Housing Fund which are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

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

Accumulated surplus

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

1.21 GRANTS-IN-AID

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

1.22 VALUE ADDED TAX

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

1.23 COMMITMENTS

Commitments are future expenditure to which the Council committed and that will result in the out flow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

**THE MUNICIPALITY OF OMARURU
ACCOUNTING POLICIES (continued)**

1.24 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

ANNEXURE D

THE MUNICIPALITY OF OMARURU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2022	2021	2020
	N\$	N\$	N\$
2. PROPERTY RATES			
Rates-Commercial and residential	8 758 065	8 559 981	8 419 125
3. TRANSFER FROM GOVERNMENT ENTITIES			
Operating grants			
Road Fund Administration (NATIS claim)	698 720	642 271	483 394
GRN-Informal Settlement Electricification	1 724 098	-	3 133 186
Road Fund Administration (RFA)	1 401 882	901 335	2 154 304
	3 824 700	1 543 606	5 770 884
Capital grants			
Government grant boreholes upgrade	-	5 989 707	-
Total transfers from government entities	3 824 700	7 533 313	5 770 884
4. SERVICE CHARGES			
Sales of water	9 141 463	9 083 185	8 439 925
Sewerage and sanitation charges	3 812 822	3 744 648	3 759 908
Refuse removal	2 107 402	2 094 329	2 051 423
	15 061 687	14 922 162	14 251 256
5. RENTAL OF FACILITIES AND EQUIPMENT			
Rental income-amenities	735 272	577 467	514 707
Rental income-properties	-	3 774	722
	735 272	581 241	515 429
6. INTEREST RECEIVED			
Interest received on investments	82 139	103 693	77 638

ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2022	2021	2020
	N\$	N\$	N\$
7. EMPLOYEES RELATED COSTS			
Basic	9 789 097	9 463 479	8 548 537
Medical aid - company contributions	2 066 400	2 043 507	1 853 794
Social Security	42 206	45 993	46 398
WCA	9 846	198 119	377 547
Leave pay provision charge	100 727	123 713	198 923
Other	36 826	20 300	738 852
Defined contribution plans	1 643 254	1 834 180	1 834 145
Travel, motor car, accommodation, subsistence and other allowances	34 072	17 054	12 570
Overtime payments	706 134	634 362	696 198
Service Bonus	708 129	709 087	690 914
Transport allowance	819 376	919 263	977 148
Housing benefits and allowances	2 503 746	2 888 732	2 870 026
Casuals & Temp Employees	22 914	19 646	17 072
	18 482 727	18 917 435	18 862 124
Chief Executive Officer			
Annual Remuneration	180 336	541 008	541 008
Car Allowance	38 158	114 475	114 475
13th Cheque	52 598	45 084	45 084
Contributions to UIF, Medical and Pension Funds	65 552	195 253	195 253
Other	67 718	231 763	231 763
Termination leave	110 498	-	-
	514 860	1 127 583	1 127 583

ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2022	2021	2020
	N\$	N\$	N\$
Strategic Executives (3 members)			
Annual Remuneration	1 042 868	1 042 869	1 042 869
Car Allowance	308 102	308 102	308 102
13th Cheque	86 906	86 906	86 906
Contributions to UIF, Medical and Pension Funds	471 372	454 273	454 273
Other	410 998	448 828	448 828
	2 320 246	2 340 978	2 340 978

8. REMUNERATION OF COUNCILLORS

Mayor	100 910	100 910	100 910
Deputy Mayor	88 489	88 489	88 489
MC Chairperson	92 228	92 228	92 228
Management Committee Members	81 289	81 289	81 289
Councillors	206 107	206 107	206 107
	569 023	569 023	569 023

9. DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	4 671 866	4 006 306	4 367 370
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10. REPAIRS AND MAINTENANCE

Repairs and maintenance	234 313	328 320	-
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11. DEBT IMPAIRMENT

Debt impairment	1 955 424	6 311 805	7 567 266
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ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2022	2021	2020
	N\$	N\$	N\$
12. GENERAL EXPENSES			
Advertising	125 413	89 964	285 161
Bank charges	176 995	1 203 002	132 556
Catering & Entertainment Cost	100 738	79 608	123 588
Supplies and consumables used	97 160	116 972	240 716
Cleaning	20 651	16 816	5 712
Computer expenses	60 162	9 260	22 355
Consulting and professional fees	-	800 085	306 867
Disaster Expenditure	-	7 543	-
Fuel and oil	912 619	680 450	712 230
IT expenses	299 143	268 662	240 122
Hiring of Facilities & Equipment	74 345	55 915	45 658
Insurance	342 922	300 228	201 763
Regional council Levies	417 051	427 110	264 362
Departmental water and electricity'	1 805 668	2 050 930	2 022 509
Motor vehicle expenses	528 930	631 192	613 258
Other expenses	1 948 089	1 069 222	913 139
Postage and courier	156 089	145 685	136 836
Printing and stationery	160 646	150 543	143 394
Project maintenance costs	-	278 758	-
Promotions and sponsorships	8 739	-	478 419
Protective clothing	40 394	43 925	69 617
Ndakalimwe Improvement	1 063 184	1 923 806	7 355 220
Security (Guarding of municipal property)	1 088 551	1 407 320	725 485
laboratory testing	5 054	245	16 783
Software expenses	-	1 662	-
Staff welfare	82 163	100 875	58 150
Subscriptions and membership fees	89 851	116 771	115 913
Telephone and fax	261 201	293 521	343 581
Training	96 467	105 658	36 389
Travel - local	557 536	400 046	380 646
Uniforms	146 317	-	11 776
	10 666 078	12 775 774	16 002 205

ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2022	2021	2020
	N\$	N\$	N\$
13. INTEREST PAID			
Finance leases	130 277	-	-
Other interest paid	22 116	116 033	143 395
	152 393	116 033	143 395
14. GAIN ON SALE ASSETS			
Property, plant and equipment	-	(267 193)	-
15. CASH AND CASH EQUIVALENTS			
Bank balances	4 821 481	9 592 499	8 204 339
Short-term deposits	16 488	950 957	921 507
	4 837 969	10 543 456	9 125 846
16. CONSUMER DEBTORS			
Gross balance	52 833 148	51 925 357	46 004 170
Less: Allowance for impairment	(47 949 058)	(45 993 634)	(39 681 830)
Net balance	4 884 090	5 931 723	6 322 340
Reconciliation of allowance for impairment			
Balance at the beginning of the year	(45 993 634)	(39 681 830)	(32 114 564)
Contributions to allowance	(1 955 424)	(6 311 804)	(7 567 266)
	(47 949 058)	(45 993 634)	(39 681 830)
17. VAT RECEIVABLES			
VAT	1 667 107	1 011 675	1 867 962
18. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Employee costs in advance	3 060	5 034	-
Accruals	192 715	192 715	192 715
	195 775	197 749	192 715
19. HOUSING LOANS			
Long term receivables	4 138 081	3 793 313	3 842 438

ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

20. PROPERTY, PLANT AND EQUIPMENT

	2022		2021	
	Cost N\$	Accumulated depreciation N\$	Cost N\$	Accumulated depreciation N\$
Buildings	12 826 525	(3 688 169)	12 741 515	(3 293 854)
Plant and machinery	687 703	(177 321)	687 703	(120 612)
Furniture and fixtures	1 096 603	(796 997)	1 045 301	(722 096)
Motor vehicles	5 392 718	(2 773 094)	5 279 058	(2 534 463)
Office equipment	384 210	(136 994)	281 418	(51 622)
IT equipment	600 808	(304 466)	600 808	(230 381)
Computer software	723 728	(103 167)	420 473	(56 705)
Infrastructure	87 943 271	(25 474 073)	80 838 715	(22 300 128)
Other assets	767 991	(41 641)	752 830	(3 412)
Tools and loose gear	811 338	(163 566)	316 174	(90 628)
	111 234 895	(33 659 488)	102 963 995	(29 403 901)
			77 575 407	73 560 094

THE MUNICIPALITY OF OMARURU

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

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2022

	Opening balance	Additions	Disposals	Other movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Buildings	9 447 661	85 011	-	-	(394 316)	9 138 356
Plant and machinery	567 091	-	-	-	(56 709)	510 382
Furniture and fixtures	323 205	51 302	-	-	(74 901)	299 606
Motor vehicles	2 744 595	2 195 055	-	(1 665 176)	(654 850)	2 619 624
Office equipment	229 796	102 792	-	-	(85 372)	247 216
IT equipment	370 427	-	-	-	(74 085)	296 342
Computer software	363 768	303 255	-	-	(46 462)	620 561
Infrastructure	58 538 587	7 104 558	-	-	(3 173 947)	62 469 198
Siding and erven assets	749 418	15 161	-	-	(38 229)	726 350
Tools and loose gear	225 546	495 164	-	-	(72 938)	647 772
	73 560 094	10 352 298	-	(1 665 176)	(4 671 809)	77 575 407

ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2021

	Opening balance	Additions	Disposals	Other movements	Depreciation	Total
Buildings	N\$ 8 837 443	N\$ 403 785	N\$ -	N\$ 399 242	N\$ (192 809)	N\$ 9 447 661
Plant and machinery	597 708	-	(64)	(706)	(29 847)	567 091
Furniture and fixtures	2 823 397	8 541	-	(2 472 821)	(35 912)	323 205
Motor vehicles	1 496 069	2 081 395	(146 756)	38	(686 151)	2 744 595
Office equipment	-	53 709	(9 751)	214 938	(29 100)	229 796
IT equipment	-	102 304	(110 622)	502 221	(123 476)	370 427
Computer software	-	67 411	-	315 503	(19 146)	363 768
Infrastructure	54 434 464	4 130 711	-	2 841 786	(2 868 374)	58 538 587
Other assets	749 418	-	-	-	-	749 418
Asset under construction	2 019 667	-	-	(2 019 667)	-	-
Tools and loose gear	27 318	-	-	219 722	(21 494)	225 546
	70 985 484	6 847 856	(267 193)	256	(4 006 309)	73 560 094

ANNEXURE D

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2022	2021	2020
	N\$	N\$	N\$
21. INVESTMENTS IN ASSOCIATES			
	% holding %	% holding %	% holding %
Investment in Erongo Red	1%	1%	1%
	Carrying amount	Carrying amount	Carrying amount
Investment in Erongo Red	6 225 100	6 225 100	6 225 100

22. PAYABLES UNDER EXCHANGE TRANSACTIONS

Trade payables	5 429 377	2 467 825	4 655 982.00
Accrued leave and bonus pay	2 026 545	2 167 503	2 164 245.00
Salaries and wages creditors	1 719 006	1 696 092	1 676 446.00
Regional council accrued levies	417 051	-	
Deposits received	1 163 717	1 154 962	1 142 772.00
	10 755 696	7 486 382	9 639 445

23. FINANCE LEASE OBLIGATION**Present value of minimum lease payments due**

- within one year	371 392	-	-
- in second to fifth year inclusive	1 539 956	-	-
	1 911 348	-	-
Non-current liabilities	1 539 956	-	-
Current liabilities	371 392	-	-
	1 911 348	-	-

ANNEXURE F

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	N\$	N\$	N\$
24. LONG TERM LOANS			
At amortised cost			
GRN Long Term Loans	3 025 083	2 927 516	2 829 951

The loans are over a period of 30 years with fixed interest rate of 12% per annum. The loans are unsecured.

Non-current liabilities

At amortised cost	395 628	456 616	1 397 845
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Current liabilities

At amortised cost	2 629 455	2 470 900	1 432 106
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25. RELATED PARTIES

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Related party balances:

These accounts are subject to normal council terms and conditions including payment of consumer deposits.

Amounts included in Trade receivable (Trade Payable) regarding related parties

Erongo Red	(345 834)	(142 786)	-
Erongo Regional Council	(1 381 588)	(1 218 432)	-
ALAN	(37 778)	(6 111)	-
	<u>(1 765 200)</u>	<u>(1 367 329)</u>	-

Remuneration of management

Refer to Note.7

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

26. PRIOR PERIOD ERROR

2022 Financial Period

1. Acquisition of vehicles during the first quarter of 2022 were prematurely recognised into 2021 at total cost of N\$ 2 081 455 and depreciated at N\$ 416 279. The acquisition cost was erroneously recognised as direct adjustment to accumulated surplus for the year 2021.

Statement of financial position

Opening Accumulated Surplus or Deficit (1 655 119)

2021 Financial Period

1. The bank balance of Oasis Festival, amounting to N\$ 29 849, was erroneously disclosed as housing loan balance

2. The amount of government loans balance was disclosed as Payables from exchange thus it was reclassified to other financial liabilities to retain its nature which is long term borrowings, and split between current portion amounting to N\$ 1 237 071 and non current N\$ 685 125.

Assets	Originally Reported	Reclassification	Error	Total
Cash and cash equivalents (1)	9 095 997	-	29 849	9 125 846
Housing debtors (1)	3 872 287	-	(29 849)	3 842 438
	12 968 284	-	-	12 968 284

Liabilities and Equity	Originally Reported	Reclassification	Error	Total
Payables under exchange transactions (2)	1 561 640	(1 922 196)	-	9 639 444
Other financial liabilities (current) (2)	195 035	1 237 071	-	1 432 106
Other financial liabilities (non-current) (2)	712 720	685 125	-	1 397 845
	12 469 395	-	-	12 469 395

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

27. GOING CONCERN

Management considered the fact that the Council continue to have the capacity and ability to collect rates and taxes from:

- (i) Strict daily cash management processes are embedded in the Council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the budget.
- (ii) As the 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.
- (iv) The Council continue to receive financial support for capital projects and its operations from the Central Government through the Ministry of Urban and Rural Development.

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

28. EVENTS AFTER THE REPORTING DATE

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

29. ADOPTION AND COMPLIANCE WITH IPSASS: PROGRESS

The Council adopted accrual basis IPSAS's for the first time at 1 July 2019 and is making use of some of the transitional provisions for the 2021/2022 financial year. Details of the exemptions in adopting accrual basis IPSAS's are provided in Accounting Policy note 1

The Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2024 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Though, this is beyond the three years exemption as per IPSAS 33, The Council has no option due to delays experienced with the appointment of the consultant.

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 the 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 make use of relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

In August 2021, The Council advertised a bid to source a consultant to assist in the implementation of the adoption with focus on fixed assets, however, it was cancelled after the award during the last quarter of 2022 financial year. It was then re-advertised in July 2022 and awarded in September 2022 and contract signed in November 2022 when contract terms were finally agreed.