



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OTJIWARONGO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

Published by authority

Price (Vat excluded) N\$ 87.00
Report no: 72/2024




REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Otjiwarongo for the financial year ended 30 June 2023, 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


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

1000

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE MUNICIPALITY OF OTJIWARONGO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

1. DISCLAIMER OPINION

I have audited the financial statements of the Municipality of Otjiwarongo for the financial year ended 30 June 2023. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net equity, cash flow statement, statement of comparison of budget and actual, 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 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 the audit report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to the audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion.

The disclaimer audit opinion is expressed due to the following:

2.1 Cash and Bank *

The auditors could not substantiate the cash and cash equivalent amounting to N\$ 9 420 108 (2022: N\$ 1 839 844) disclosed in the financial statements and the bank confirmation provided by the third parties due to the fact that the Municipality's accounting system (Munsoft) failed to generate required bank reconciliation reports. As a result, assertions of completeness and valuation pertaining to cash and cash equivalents could not be confirmed.

2.2 Inventory*

The Municipality did not provide supporting documents for inventories amounting to N\$ 20 443 367 (2022: N\$ 19 873 866). Auditors were therefore unable to provide assurance to the valuation, existence and completeness of the inventories disclosed in the financial statements.

**Recurring findings from prior year*

2.3 Trade and other payables

Unallocated deposits*

The Municipality has an unallocated deposits account in payables under exchange transactions amounting to N\$ 5 933 464 (2022: N\$ 5 221 967), these amounts emanated from the conversion from Finstel to Munsoft accounting system which could not be reconciled and there were no alternative procedures auditors could perform to obtain audit evidence supporting the existence, completeness, valuation and accuracy of unallocated deposits.

2.4 Receivables from exchange transactions

The auditors noted that there is an unresolved difference of N\$ 2 184 581 on provision for bad debts between the accounting records and the annual financial statements. There were no alternative procedures that the auditors could perform to obtain audit evidence that all the receivables from exchange transactions have been properly recorded in the books of accounts. Consequently, the auditors were unable to satisfy themselves as to the completeness, existence and accuracy of receivables from exchange transactions and the related financial statement areas.

2.5 Opening accumulated surplus

Included in the accumulated surplus is an amount of N\$ 35 200 783 which is a credit adjustment for land revaluation in the year under review. The accounting treatment of this adjustment was not done in accordance with the basic principles of accounting and IPSAS 17, which states that "revaluation increases shall be credited directly to revaluation surplus. However, the increase shall be recognized as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized as an expense in surplus or deficit. Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficits and is not recycled through surplus or deficit".

2.6 Lack of full IPSAS Adoption at end of the three-year transitional period

The Municipality has not fully adopted the IPSAS at the end of the transitional period as required in terms of IPSAS 33 First-time Adoption of Accrual Basis International Public Sector Accounting Standards;

2.6.1 IPSAS 17 Land and buildings (Property, plant and equipment and Investment Property)

The Municipality has land and buildings of N\$ 42 555 715 (2022: N\$ 42 518 422). The auditors has identified that the fixed asset register for the land and buildings is not properly maintained, as there is no recording of the erf numbers, erf sizes, title deed numbers, cost of the land and buildings, and the description on nature of use of the land and buildings. Thus, the auditors could not perform any procedures to verify completeness, existence and valuation of land and buildings.

2.6.2 IPSAS 19 Severance provision

The Municipality valued the severance provision of N\$ 11 826 335 (2022: N\$ 16 022 914) based on future value principle; however, in terms of the IPSAS 39 Employee Benefits, post-employment benefits must be valued based on actuarial assumptions.

2.6.3 IPSAS 30 Financial Instruments Disclosures

The Municipality did not make disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks as prescribed by IPSAS 30 Financial Instruments disclosures.

3. 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and legislation, and for such internal control as management determines it necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible of overseeing the Municipality'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's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (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 Municipality's internal control;
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality'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 auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit;
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

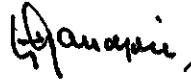
6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted timeously by the Accounting Officer to the Auditor-General on the 02 October 2023 in terms of Section 87 (1) of the Local Authorities Act, 1992.

7. ACKNOWLEDGEMENT

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

WINDHOEK, September 2024



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF OTJIWARONGO
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Assets	Note	2023 N\$	2022 N\$
Current Assets		52 098 349	50 123 036
Cash and cash equivalents	14	9 420 108	7 065 900
VAT receivable	15	6 491 873	3 835 120
Receivables from exchange transactions	16	14 325 034	17 941 764
Receivables from non-exchange transactions	17	1 224 622	1 239 242
Inventories	18	20 443 367	19 873 866
Loans to employees	19	193 345	167 144
Non-Current Assets		197 013 465	173 558 622
Property plant and equipment	20	150 137 357	126 201 184
Investments in associate	21	43 066 969	43 066 969
Other financial asset	22	3 809 139	4 290 469
Total Assets		249 111 814	223 681 658
Liabilities		44 582 322	52 551 351
Current Liabilities			
Bank overdraft	14	-	4 584 130
Payables under exchange transactions	23	42 491 817	45 534 324
Consumer deposits	24	1 907 241	1 906 901
Other financial liabilities	25	183 264	235 242
Payables under non-exchange transactions		-	290 754
Non-Current Liabilities			
Other financial liabilities	25	499 668	682 932
Total Liabilities		45 081 990	53 234 283
Net Assets		204 029 824	170 447 375
Accumulated surplus		204 029 824	170 447 375

MUNICIPALITY OF OTJIWARONGO
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE
2023

		2023	2022
	Note	N\$	N\$
Revenue			
Total revenue from exchange transactions		39 013 065	32 338 957
Property rates	2	31 865 298	30 413 895
Transfers from other government entities	3	7 060 205	1 743 313
Levies	4	31 447	46 794
Fines, penalties and levies		56 115	134 955
Revenue from exchange transactions		92 672 506	85 381 894
Service charges	5	71 962 653	66 623 825
Sale of goods		8 755 865	5 782 210
Rendering of services		3 578 827	3 933 562
Electricity surcharges		7 514 613	7 339 481
Other income	6	47 740	1 341 029
Interest received - investment	7	798 072	361 787
Gain on disposal of assets and liabilities		14 736	-
Total revenue		131 685 571	117 720 851
Less Expenses			
		133 675 392	137 033 044
Bulk purchases	8	32 618 979	30 895 136
Employee costs	9	58 200 347	60 053 367
Remuneration of councilors	10	569 022	574 496
Depreciation and amortisation expense	12	14 501 606	15 858 084
Repairs and maintenance		6 844 329	7 891 604
Debt impairment		418 763	5 014 443
General Expenses	11	20 353 886	16 436 896
Interest paid	13	168 460	309 018
Deficit for the year		(1 989 821)	(19 312 193)

ANNEXURE C

MUNICIPALITY OF OTJIWARONGO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Accumulated surplus	Total net assets/equity
	2023	2022
	N\$	N\$
Balance at 1 July 2021	189 759 568	189 759 568
Changes in net assets/equity Deficit for the year	(19 312 193)	(19 312 193)
Total changes	(19 312 193)	(19 312 193)
Balance at 1 July 2022	205 648 158	205 648 158
Prior year adjustments	371 490	371 490
Balance as at 1 July 2022 as restated	206 019 645	206 019 645
Changes in net assets/equity Deficit for the year	(1 989 821)	(1 989 821)
Total change	(1 989 821)	(1 989 821)
Balance at 30 June 2023	204 029 824	204 029 824

MUNICIPALITY OF OTJIWARONGO
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 N\$	2022 N\$
Cash flows from operating activities			
Deficit		(1 989 821)	(19 312 193)
Adjustments for:			
Depreciation and amortization expense		14 501 606	15 858 084
Loss on sale of assets and liabilities		(14 736)	-
Debt, impairment		418 763	5 014 443
Direct adjustment to net assets.		(371 485)	(48 928)
Changes in working capital:			
Inventories		(569 501)	1 712 714
Receivables from exchange transactions		3 616 730	(2 230 544)
Debt impairment		(418 763)	(5 014 443)
Other receivables from non-exchange transactions		14 620	1 780 399
Payables under exchange transactions		(3 042 501)	8 152 650
VAT		(2 656 753)	(2 041 491)
Payable under non – exchange		(290 754)	(194 547)
Consumer deposits		340	(55 950)
Net cash flows from operating activities		9 940 715	3 620 194
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(3 237 000)	(17 055 964)
Proceeds from sale of property, plant and equipment	15	14 736	-
Proceeds/receipts (repayment) of long term receivables from exchange transactions		481 330	752 200
Net cash flows from investing activities		(2 740 934)	(16 303 764)
Cash flows from financing activities			
Repayment of other financial liabilities		(235 242)	(235 902)
Movement in loans to management and employees		(26 201)	39 429
Net cash flows from financing activities		(261 443)	(196 473)
Net increase/(decrease) in cash and cash equivalents		(6 938 338)	(12 880 043)
Cash and cash equivalents at the beginning of the year		2 481 770	15 361 813
Cash and cash equivalents at the end of the year	11	9 420 108	2 481 770

ANNEXURE E

**MUNICIPALITY OF OTJIVARONGO
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	N\$
Statement of Financial Performance				
Revenue				
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	32 574 466	32 574 466	31 865 298	(709 168)
Transfers from other government	3 626 300	3 626 300	7 060 205	3 433 905
Transfer revenue				
Levies	-	-	31 447	31 447
Fines, penalties and levies	16 000	16 000	56 115	40 115
Total revenue from non-exchange transactions	36 216 766	36 216 766	39 013 065	2 796 299
Revenue from exchange transactions				
Sale of goods	2 600 000	2 600 000	8 755 865	6 155 865
Service charges	76 449 168	76 449 168	71 962 653	(4 486 515)
Rendering of service	4 682 160	4 682 160	3 578 827	(1 103 333)

ANNEXURE E

MUNICIPALITY OF OTJIWARONGO
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023
 (continued)

	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	N\$
Surcharge levy	7 500 000	7 500 000	7 514 613	14 613
Rental of facilities and equipment	12 000 000	12 000 000		(12 000 000)
Other income	-	-	47 740	47 740
Interest received - Investment	30 000	30 000	798 072	768 072
Total revenue from exchange transactions	103 261 328	103 261 328	92 657 770	(10 603 558)
Total revenue	139 478 094	139 478 094	131 670 835	(7 807 259)
Expenditure				
Bulk purchases	(31 400 000)	(31 400 000)	(32 618 979)	(1 218 979)
Employee costs	(64 909 908)	(64 909 908)	(58 200 347)	6 709 561
Remuneration of Councilor	(580 000)	(580 000)	(569 022)	10 978
Depreciation and amortization expense	-	-	(14 501 606)	(14 501 606)
Repairs and maintenance	(17 064 450)	(17 064 450)	(6 844 329)	10 220 121

ANNEXURE E

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

	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	N\$
Debt impairment	-	-	(418 763)	(418 763)
General Expenses	(21 942 736)	(21 942 736)	(20 353 886)	1 588 850
Interest paid	(67 000)	(67 000)	(168 460)	(101 460)
Other expenses	(3 514 000)	(3 514 000)	-	3 514 000
Total expenditure	(139 478 094)	(139 478 094)	(133 675 392)	5 802 702
Surplus (Deficit)	-	-	(2 004 557)	(2 004 557)
Gain on disposal of assets and liabilities	-	-	14 736	14 736
Surplus(Deficit)	-	-	(1 989 821)	(1 989 821)

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

The planned transfer from government Revenue increases with 95%, because the total amount of N\$ 3 759 364 was not included in the operational budget provision. Although the Government budget allocate N\$ 1 900 000 this amount was later increased to N\$ 3 759 364 during the Government Mid-Term Budget review in order to accommodate the total project amount.

Sale of goods revenue, this is basically the land sold during the period under review. The balance of N\$ 5,7 million received from Non – Residential land sales, was aimed to fund capital development project, hence was not included in the operational budget provision.

Service charges revenue was 17% below the projected budget due to low consumptions and non-expansion in economic activities in down due to general economic performance in the country which spill over to.

Rendering of Services revenue was 26% below the projected budget due to low national economic performance that lead to low demand of services.

Estimated revenue from Rental of Informal settlements could not materialized due to governance and other external factors, this lead to 100% underperformed of the revenue from rental facilities.

Bulk purchases expenses went over budget provision with 4% due to unforeseen water loss through tower leakage during the period under review.

Repairs and maintenance was 35.58% under performance and all this is linked to local economic down fall and the effects of Covid-19 pandemic.

Employee cost was 10% less budget provision due to vacant position not filled on time.

There was a significant under performance of 60% in the area of Repairs and Maintenance. The cash flow shortage caused by low economic performance really affected the Council operation negatively as many customer find it difficult to pay for the services rendered, and this spill over to affect operational activities.

General Expenses over performed with 5% due to Electricity expenses which increased more than 100% beyond the budget provision due to past years cost was never billed in the past.

The balance of N\$ 3 514 000 budgeted for Plant Financing loan which did not materialized.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1. Presentation of Annual Financial Statements

The Municipality of Otjiwarongo adopted the accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2019 had previously been preparing its financial statements on the accrual basis of General Acceptance Municipal Accounting Policies (GAMAP). In the adoption of accrual basis IPSAS's it has chosen to utilise some of the transitional exemptions allowed by IPSAS 33 "First time adoption of Accrual basis IPSASs".

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

Municipality adopted accrual basis IPSAS'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.

Municipalities choose to utilised the following transitional exemptions that do affect the fair presentation of the financial statements:

- IPSAS 5 Borrowing Costs
- IPSAS 6 Consolidated and Separate Financial Statements
- IPSAS 7 Investments in Associates
- IPSAS 9 Revenue from Exchange Transaction
- 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 23 Revenue from Non- Exchange Transaction
- IPSAS 25 Employee Benefits
- IPSAS 27 Agriculture
- IPSAS 30 Financial Instruments
- IPSAS 31 Intangible Assets
- IPSAS 32 Services Concession Arrangements: Grantor
- IPSAS 34 Separate Financial Statements
- IPSAS 35 Consolidated Financial Statements
- IPSAS 36 Investments in Associates and Joint Ventures

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

IPSAS 38 Disclosure of Interest in Other Entities

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

IPSAS 1 Presentation of Financial Statements
IPSAS 4 The Effects of Changes in Foreign Exchange Rates
IPSAS 8 Interest in Joint Ventures
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 38 Joint Arrangements

IPSAS's to be adopted in full during 2022/2023 financial period

IPSAS 9 Revenue from Exchange Transaction
IPSAS 14 Events after Reporting Date
IPSAS 24 Presentation of Budget Information in the Financial Statements

1.1 Presentation currency

These annual financial statements are presented in Namibian Dollar which is the functional currency of the Municipality of Otjiwarongo.

1.2 Revenue from non-exchange transactions

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

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.2 Revenue from non-exchange transactions

Exchange transactions are transactions in which one entity receives assets or services or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash goods services or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction an entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset once is recognised as revenue except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipality of Otjiwarongo satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality of Otjiwarongo.

When, as a result of a non-exchange transaction the Municipality of Otjiwarongo recognises an asset it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date and the amount of the increase in net assets if any recognised as revenue. When a liability is subsequently reduced because the taxable event occurs or a condition is satisfied the amount of the reduction in the liability is recognised as revenue.

MUNICIPALITY OF OTJIWARONGO**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****(continued)**

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

The Municipality of Otjiwarongo recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the Municipality of Otjiwarongo controls the resources as a result of a past events (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition which includes but is not limited to disclosure of the taxable event by the taxpayer.

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

The taxable event for property tax is the passing of the date on which the tax is levied or the period for which the tax is levied if the tax is levied on a periodic basis.

Transfers

Apart from Services in kind which are not recognised the Council recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Council recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The Municipality of Otjiwarongo recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.3 Revenue from non-exchange transactions

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality of Otjiwarongo. Where the Municipality of Otjiwarongo collects fines in the capacity of an agent the fine will not be revenue of the collecting entity.

Gifts and donations including goods in-kind

Gifts and donations including goods in kind are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality of Otjiwarongo and the fair value of the assets can be measured reliably.

1.3 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.

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied: the Municipality of Otjiwarongo has transferred to the purchaser the significant risks and rewards of ownership of the goods;

MUNICIPALITY OF OTJIWARONGO**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****(continued)**

1.3 Revenue from exchange transactions

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality of Otjiwarongo;
- the stage of completion of the transaction at the 30 June 2021 can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest royalties and dividends

Revenue arising from the use by others of entity assets yielding interest royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality of Otjiwarongo and
- The amount of the revenue can be measured reliably.

1.4 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

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.4 Property plant and equipment

- 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.

Property plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property plant and equipment have been assessed as follows:

Item	Average useful life
Land	20 Years
Buildings	20 Years
Plant and machinery	10 Years
Furniture and fixtures	5 Years
Motor vehicles	5 Years
Office equipment	5 Years
IT equipment	3 Years
Computer software	3 Years
Infrastructure	15 to 20 Years
Bins and containers	3 Years

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.4 Property plant and equipment (continued)

Communication equipment	3 Years
Park facilities	15 Years
Specialised vehicles	10 Years
Tools and loose gear	3 Years
Wastewater network	15 Years
Water network	15 Years

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.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Impairment of cash-generating assets

Cash-generating assets are those assets held by the Municipality of Otjiwarongo with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount it is impaired.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the Municipality of Otjiwarongo with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity it generates a commercial return.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount it is impaired.

Reversal of an impairment loss

The Municipality of Otjiwarongo assess at each 30 June whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists the Municipality of Otjiwarongo estimates the recoverable service amount of that asset.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or collectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from Municipality of Otjiwarongo statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, Municipality of Otjiwarongo shall estimate cash flows considering all contractual terms of the financial instrument (for example prepayment call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of IPSAS on Revenue from Exchange Transactions) transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments) the Municipality of Otjiwarongo shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of Municipality after deducting all of its liabilities. A residual interest includes contributions from owners which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets either before the contribution occurs or at the time of the contribution; or
- a formal agreement in relation to the contribution establishing or increasing an existing financial interest in the net assets of an entity.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

Classification

Transaction costs are incremental costs that are directly attributable to the acquisition issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the Municipality of Otjiwarongo had not acquired issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments excluding those instruments that:

- the Municipality of Otjiwarongo designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

The Municipality of Otjiwarongo 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
Long - term Receivables	Loans and Receivables
Receivable from Exchange Transactions	Loans and Receivables
Receivable from Non-Exchange Transactions	Loans and Receivables
Bank cash and Cash Equivalent - Notice Deposit	Available for sale Investments
Current Portion of long - term Receivables	Loans and Receivables

The Municipality of Otjiwarongo 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
Long - term Liabilities	Financial liability measured at amortised cost
Payable from Exchange Transactions	Financial liability measured at amortised cost
Payable from Non-Exchange Transactions	Financial liability measured at amortised cost
Current portion of Long - term Liabilities	Financial liability measured at amortised cost
Residual interest	Measured at fair value

Initial recognition

The Municipality of Otjiwarongo recognises a financial asset or a financial liability in its statement of financial position when the Municipality of Otjiwarongo becomes a party to the contractual provisions of the instrument.

The Municipality of Otjiwarongo recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality of Otjiwarongo measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

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

The Municipality of Otjiwarongo 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.

Subsequent measurement of financial assets and financial liabilities

The Municipality of Otjiwarongo measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost or cost are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties if available reference to the current fair value of another instrument that is substantially the same discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically a Municipality of Otjiwarongo calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand discounted from the first date that the amount could be required to be paid.

Re-classification

The Municipality of Otjiwarongo does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality of Otjiwarongo cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in deficit.

For financial assets and financial liabilities measured at amortised cost or cost a gain or loss is recognised in deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment and uncollectibility of financial assets

The Municipality of Otjiwarongo assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

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 directly or through the use of an allowance account. The amount of the loss is recognised in 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 directly or 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 deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The Municipality of Otjiwarongo derecognises financial assets using trade date accounting. The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire are settled or waived;
- the Municipality of Otjiwarongo transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality of Otjiwarongo despite having retained some significant risks and rewards of ownership of the financial asset has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case the Municipality.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Municipality of Otjiwarongo transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If as a result of a transfer a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability or a servicing liability the entity recognise the new financial asset financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the transfer.

For this purpose a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in deficit.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

If a transfer does not result in derecognition because the Municipality of Otjiwarongo has retained substantially all the risks and rewards of ownership of the transferred asset the Municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset and the associated liability nor the revenue and the associated expenses are offset.

Financial liabilities

The Municipality of Otjiwarongo removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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 is recognised in deficit. Any liabilities that are waived forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of IPSAS on Revenue from Non-Exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in deficit.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.8 Financial instruments (continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in deficit.

Distributions to holders of residual interests are debited by the Municipality of Otjiwarongo directly to net assets or net of any related income tax benefit. Transaction costs incurred on residual interests is accounted for as a deduction from net assets net of any related income tax benefit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for de-recognition the Municipality of Otjiwarongo does not offset the transferred asset and the associated liability.

1.9 Inventories

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.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale exchange or distribution.

Current replacement cost is the cost the Municipality of Otjiwarongo incurs to acquire the asset on the period ended 30 June 2023.

MUNICIPALITY OF OTJIWARONGO**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****(continued)**

1.9 Inventories

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Municipality of Otjiwarongo.

When inventories are sold the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue the expenses are recognised when the goods are distributed or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Employee benefits

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice published policies or a sufficiently specific current statement the entity has indicated to other parties that it will accept certain responsibilities and as a result the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.10 Employee benefits

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
- non-monetary benefits (for example medical care and free or subsidized goods or services such as housing cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense) after deducting any amount already paid. If the amount
- already paid exceeds the undiscounted amount of the benefits the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to for example a reduction in future payments or a cash refund; and
- as an expense unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or in the case of non-accumulating absences when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.10 Employee benefits (continued)

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.

When an employee has rendered service to the entity during a reporting period the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense) after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to for example a reduction in future payments or a cash refund; and
- as an expense unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the 30 June 2022 in which the employees render the related service they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.11 Borrowing costs

The Municipality of Otjiwarongo has adopted the Benchmark approach thus borrowing costs are recognised as an expense in the period in which they are incurred irrespective how the borrowed funds were utilised.

1.12 Related parties

The Municipality of Otjiwarongo operates in an economic sector currently dominated by entities directly or indirectly owned by the Namibia Government. As a consequence of the constitutional independence of the three spheres of government in Namibia only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning directing and controlling the activities of the Municipality of Otjiwarongo including those charged with the governance of the entity in accordance with legislation in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence or be influenced by that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.13 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. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The Municipality of Otjiwarongo assesses its trade receivables held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.13 Significant judgments and sources of estimation uncertainty (continued)

The impairment for trade receivables held to maturity investments and loans and receivables is calculated on a portfolio basis based on historical loss ratios adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Municipality of Otjiwarongo reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables i.e. production estimates supply demand] together with economic factors such as [list economic factors such as exchange rates inflation interest].

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.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Municipality of Otjiwarongo will continue to operate as a going concern for at least the next 12 months

1.16 Investments in associate

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.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered it is subsequently accounted for as revenue in the statement of financial performance.

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

	2023	2022
	N\$	N\$
2. Property rates		
Rates received	31 865 298	30 413 895
All property tax	36 264 840	33 314 808
Less: Income forgone	(4 399 542)	(2 900 913)
3. Transfers from other government entities		
Operating grants	7 060 205	1 743 313
Government grant	3 300 841	1 315 890
Road Fund Administration	3 759 364	427 423
4. Levies	31 447	46 794
Dog tax	-	753
Building Compliance Certificate	31 447	46 041
5. Service charges	71 962 653	66 623 825
Sale of water	44 231 768	39 659 290
Solid waste	9 541 589	9 564 322
Refuse removal	18 878 970	18 390 643
Departmental charges	(689 674)	(990 430)
6. Other Income	47 740	1 341 029
Betterment fees	42 930	(1 717 970)
Miscellaneous income	4 810	851 713
Stock Adjustments	-	2 207 286
7. Interest received - Investment	798 072	361 787
Other financial asset	506 363	350 849
Other loans	291 709	10 938
8. Bulk Purchases	32 618 979	30 895 136
Water	32 618 979	30 895 136

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

	2023	2022
	N\$	N\$
9. Employee Related costs	58 200 347	60 053 367
Basic	25 956 135	27 236 527
Medical aid - company contributions	8 628 728	8 123 219
Social, Security	141 486	146 983
Other allowances	19 236	1 684 066
Defined contribution plans	5 276 742	5 419 073
Overtime payments	3 936 612	3 137 164
13th Cheques	3 092 181	2 545 038
Acting allowance	182 160	
Car allowance	2 292 131	2 422 844
Housing benefits and allowances	9 254 025	9 073 202
Other	81 589	81 550
Leave and severance expenses	(660 678)	183 701
Accounting Officer	1 541 334	1 347 317
Annual Remuneration	672 506	690 977
Car Allowance	169 552	118 481
Performance Bonus	58 600	-
Contributions to UIF, Medical and Pension Funds	258 145	282 731
Housing and cellphone allowance	382 531	255 128
Remuneration of Chief Finance Officer	2 465 341	1 340 697
Annual Remuneration	694 484	659 797
Car Allowance	162 895	162 895
Contributions to UIF Medical and Pension Funds	244 689	243 944
Termination Payout	1 106 311	
Housing and cellphone allowance	256 962	274 061
Remuneration of other Executives	4 760 098	3 904 939
Annual Remuneration	1 642 928	1 885 090
Car Allowance	492 578	492 578
Contributions to IUF, medical and pension funds	737 489	-
Housing Allowance	926 065	1 527 271
Termination Payout	961 065	-

MUNICIPALITY OF OTJIWARONGO

ANNEXURE F

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)**

	2023	2022
	N\$	N\$
10. Remuneration of Councilors	574 496	557 721
Mayor	88 910	100 910
Deputy Mayor	81 289	88 489
Chairperson of Management Committee	83 828	92 228
Councilors	320 469	276 094
11. General expenses	20 353 886	16 603 893
Advertising	109 503	177 409
Bank charges	914 639	-
Cleaning	67 782	152 318
Consulting and professional fees	24 016	35 306
Consumables	-	33 814
Discount allowed	-	3 611
Entertainment	159 922	171 117
Gifts	-	58 663
Insurance	1 069 646	1 489 187
Conferences and seminar	-	10 600
IT expenses	158 457	142 252
Medical expenses	52 123	7 102
Fuel and oil	3 329 520	2 635 907
Postage and courier	36 801	65 287
Printing and stationery	88 236	133 952
Promotions	105 764	25 720
Protective clothing	215 950	925 656
Security (Guarding of municipal property)	188	1 618 941
Software expenses	909 651	37 485
Staff welfare	4 174 210	308 460

ANNEXURE F

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

	2023	2022
	N\$	N\$
Subscriptions and membership fees	102 300	4 287
Telephone and fax	4 860 554	610 655
Training	82 092	102 800
Travel – local	846 401	407 941
Properties Transferred	1 127	984
Electricity	-	1 801 217
Other expenses	1 882 892	4 678 648
Regional council levy	-	832 995
Prepaid water connection	1 731 613	131 579
Stock adjustment	(569 501)	-

ANNEXURE F

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

	2023	2022
	N\$	N\$
12. Depreciation and amortisation expense	14 501 606	15 858 084
Property, plant and equipment	14 501 606	15 858 084
13. Interest paid	168 460	309 018
Amortisation of held to maturity liabilities	168 460	309 018
14. Cash and cash equivalents	9 420 108	2 481 770
Cash on hand	5 400	5 400
Bank balances	2 500 610	
Short-term deposits	6 914 098	7 060 500
Bank overdraft	-	(4 584 130)
15. VAT Receivable	6 491 873	3 835 120
VAT	6 491 873	3 835 120
<p>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.</p> <p>No interest is payable to the Inland Revenue if the VAT is paid over timeously, but interest for late payments is charged in accordance with the Value-Added-Tax Act. The Municipality has financial risk policies in place to ensure that payments are effected before the due date.</p>		
16. Receivables from Exchange transactions	14 325 034	17 941 764
Trade debtors	13 082 352	12 851 104
Employee costs in advance	(557 318)	(187 416)
Other receivables	-	5 208 780
Other debtors		69 296
Leases	1 800 000	-

Allowance for Impairment:

At 30 June 2023 Receivables from Exchange Transactions of N\$ 51 157 657 (30 June 2022: N\$ 50 738 894) were impaired and fully provided for.

ANNEXURE F

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

	2023	2022
	N\$	N\$
16. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables	51 157 657	50 738 894
Opening balance	50 738 894	45 724 451
Provision for impairment	418 763	5 014 443
<p>The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.</p>		
17. Receivable from non-exchange transaction	1 224 622	1 239 242
Other receivables from non-exchange revenue	1 224 622	1 239 242
18. Inventories	20 443 367	19 873 866
Consumables	20 443 367	19 873 866
Inventory pledged as security		
No inventory is pledged as security for credit facility.		
19. Loans to management and employees		
Loans to directors managers and employees	193 345	167 144
At beginning of the year	167 144	206 573
Repayments	26 201	(39 429)

Council provides loans to employees at 1.5% interest p.a and are repayable over a maximum 38 months period.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

20. Property, plant and equipment

	2023		2022			
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Land	41 593 665	-	41 593 665	6 392 886	-	6 392 886
Infrastructure	9 679 021	-	9 679 021	9 679 021	-	9 679 021
Property Plant and Equipment	192 634 331	(95 053 613)	97 580 718	190 681 284	(80 552 007)	110 129 277
Buildings	962 050	-	962 050	-	-	-
Furniture and fixtures	321 903	-	321 903	-	-	-
Total	245 190 970	(95 053 613)	150 137 357	206 753 191	(80 552 007)	126 201 184

Reconciliation of property plant and equipment-2023

	Opening balance	Additions	Revaluations	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land	6 392 886	-	35 200 780	-	41 593 665
Buildings	-	962 050	-	-	962 050
Fixtures and furniture	-	321 903	-	-	321 903
Infrastructure: Work in progress	9 679 021	-	-	-	9 679 021
Property Plant and Equipment	110 129 277	1 953 047	-	(14 501 606)	97 580 718
Total	126 201 184	3 237 000	35 200 780	(14 501 606)	150 137 357

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

Property plant and equipment (Continued)

20. Reconciliation of property plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Land	2 633 522	3 759 364	-	6 392 886
Infrastructure	2 413 723	9 679 021	-	9 969 021
Property Plant and Equipment	119 956 059	3 617 579	(15 858 084)	110 129 277
Total	125 003 304	17 055 964	(15 858 084)	126 491 184

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
	N\$	N\$
Opening balance	2 413 726	2 413 726
Additions/capital expenditure	9 679 021	9 679 021
Transferred to completed items	(2 413 726)	(2 413 726)
	9 679 021	9 679 021

Reconciliation of Work-in-Progress 2021

Additions/capital expenditure	2 413 726	2 413 726
-------------------------------	-----------	-----------

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

	2023	2022
	N\$	N\$
21. Investments in associates		
Name of company		
Cenored – 15%	43 066 969	43 066 969
Movement in carrying value		
Opening balance	43 066 969	43 066 969
22. Other financial assets		
At amortised cost	3 809 139	4 290 469
Build Together	3 809 139	4 290 469
The loans are repayable over 20 years at interest rate ranging from 0% to 4%		
23. Payables under exchange transactions	42 491 817	45 534 324
Trade payables	13 638 718	10 968 592
Retention	-	384 703
Accrued leave pay	7 362 650	6 821 925
Severance provision	11 826 335	16 022 914
Regional Council (5%) payable	2 381 410	5 179 530
Other creditors	1 349 240	756 038
Unallocated receipts	5 933 464	5 400 622
24. Customer deposits	1 907 241	1 906 901
Rates and water	1 907 241	1 906 901
25. Other financial liabilities		
At Amortised cost		
Government of the Republic of Namibia	682 932	918 174
Non-current liabilities		
At amortised cost	499 668	682 932
Current liabilities		
At amortised cost	183 264	235 242

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

26. Contingencies

Municipality of Otjiwarongo signed a collateral agreement with local banking institutions (Bank Windhoek Standard Bank, First National Bank and Nedbank) to guarantee employees housing loans to the value of N\$ 2 429 882.

27. Related parties

Relationships
Associates

Refer to note 22

28. Prior period errors

Unauthorised EFT with balance N\$ 5 208 780 were wrongly mapped under Receivables from Exchange hence this balance is corrected and journal reversed in current financial period when the transfer were authorised. Since the error is not material does not warrant and restatement of Financial Statements.

29. Risk management

Financial risk management

The Municipality's activities expose it to a variety of financial risks such as credit risk as well as liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding an adequate cash to meet its liabilities commitment on time. Municipality enforced Revenue Management Policy to ensure sufficient cash flow and performance continuity as well to settle Account Payable on time. Excess cash is always invested on short term notice deposit in order to earn extra income.

The Municipality of Otjiwarongo's risk to liquidity is a result of the funds available to cover future commitments. The Municipality of Otjiwarongo manages liquidity risk through and ongoing review of future commitments and credit facilities.

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
(continued)

29. Risk management (continued)

Credit risk

Trade receivables comprise a widespread customer base and customers' risk are evaluated monthly as provided for in Revenue Management Policy. Customer's accounts are regularly monitored in order to avoid increase of Account Receivable.

30. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business.

31. Events after the reporting date

Management is not aware of any qualifying events after reporting date.

32. Unauthorised expenditure

Management is not aware of any unauthorised expenditure.

