



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF WINDHOEK
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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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 Windhoek for the financial year ended 30 June 2017, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, July 2018

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2017**

1. Report on the annual financial statements

1.1 INTRODUCTION

The accounts of the Municipality of Windhoek for the year ended 30 June 2017 are being reported on in accordance with the provisions set out in the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO Namibia Chartered Accountants of Windhoek, has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in (brackets).

I certify that I have audited the accompanying annual financial statements of the Municipality of Windhoek for the year ended 30 June 2017. These annual financial statements comprise the following:

- Annexure A: Statement of financial position;
- Annexure B: Statement of financial performance;
- Annexure C: Cash flow statement;
- Annexure D: Accounting policies to the annual financial statements; and
- Annexure E: Notes to the annual financial statements.

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.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A-E.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 87 (1) of the Local Authorities Act, (Act 23 of 1992) and International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines it necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. The said firm conducted the audit in accordance with International Standards on Auditing. These standards require that the firm complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

Powers and duties

Section 25 (1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26 (1) (b) (iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

I believe that the audit evidence I have obtained is insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 PROPERTIES, PLANT AND EQUIPMENT

The fixed asset register could not be provided for audit purpose as the Municipality is currently in the process of reconstructing the fixed asset register, thus the Auditors could not perform audit procedures to verify the completeness, existence, accuracy and valuation of property, plant and equipment.

Recommendation

A fixed asset register that agrees to the financial statements must be prepared and provided for audit purposes.

5.2 LONG TERM LOANS

The on lending loans balances in the financial statements, which were assumed by the Ministry of Finance in 2002, are not agreeing to the amounts confirmed by the Ministry of Finance due to the in-duplum rule adjustment of N\$ 241 897 135 which was processed by management. There is no Ministerial approval of the in-duplum rule adjustment.

Recommendation

The management should obtain Ministerial approval of the in-duplum adjustment from both the Ministry of Finance and the Municipality's line ministry.

5.3 PROVISIONS FOR ANNUAL STAFF LEAVE

The Municipality of Windhoek's annual leave cycle is not in accordance with the requirements of the Labour Act. The Municipality's policy stipulates that leave days are ceiled at 130 days at any given time for employees who work 5, 6 or 7 days a week.

The Labour Act section 23(3-5) states that an employer may determine when the annual leave is to be taken provided that it is taken no later than four months after the end of the annual leave cycle; or six months after the end of the annual leave cycle, if, before the end of the four-month period contemplated, the employee agreed in writing to such an extension. The impact of this non-compliance has not been adjusted in the books of accounts.

Recommendation

The Municipality should implement the requirements of the Labour Act regarding annual leave.

5.4 COMMERCIAL INSOLVENCY

As at 30 June 2017, the Municipality's current liabilities of N\$ 1 790 477 036 (2016: N\$ 1 599 256 190) exceed its current assets of N\$ 877 143 998 (2016: N\$ 809 483 716) by N\$ 913 333 038 (2016: N\$ 789 772 474). Furthermore, the Municipality budgeted for a deficit of N\$ 504 793 256 for the 2017/2018 financial year operating budget. These conditions indicate the existence of material uncertainties, which may cast doubt on the Municipality's ability to settle its obligations in the normal course of business. The Municipality could not provide their plan on how they are going to turnaround the commercial insolvency position.

Recommendation

The Municipality should put measures in place to the on-lending loans of N\$ 710 396 718.

The Municipality should have a strategic plan of turning around the operations from deficit to surplus and improvement on debt recovery.

The Municipality should also consider unlocking the value of the vacant land held by turning the land into cash or extinguishing the on-lending loans.

5.5 ACCOUNTS RECEIVABLE SUSPENSE ACCOUNT

There is an uncleared suspense account balance of N\$ 131 963 144 which is included in the receivables from non-exchange transactions. No sufficient audit evidence could be obtained regarding the existence, accuracy and valuation of suspense and the related income statement accounts in the annual financial statements.

Recommendation

Suspense accounts must be reconciled and corrected in a timely manner.

5.6 SALE OF ERVEN

The revenue from sale of erven is recorded in the Municipality's general ledger on cash basis which is not in accordance with the revenue recognition policy of the Municipality.

There is a difference of N\$ 64 907 936 between sale of land recorded in the annual financial statements of N\$ 115 479 692 and the list of erven sale transactions that were transferred during the year under review of N\$ 180 387 628. This is the list that was provided by the Municipality during the audit.

Municipality could not provide reasons for the identified difference.

Recommendation

The sale of erven should be agreed to the register on a periodic basis and any differences should be investigated and corrected in a timely manner.

5.7 PUBLIC PRIVATE PARTNERSHIP (PPP) PROFIT SHARING

The Municipality could not provide financial statements or information regarding the profit sharing of the Public Private Partnership for the year for the companies that entered into Public Private Partnership agreements with the Municipality. The Municipality only recognised an amount of N\$ 20 971 020 which was received from Betula Nigra Investments from the Otjomuise PPP Project but could not provide a calculation of how the amount was determined. In the absence of annual financial statements or schedule of how it is calculated there were no alternative procedures that we could perform to verify completeness and accuracy of the profit earned from PPPs.

Recommendation

The Municipality should ensure that all profit sharing from PPP projects are recognised in the annual financial statements. The annual financial statements of all PPPs and the calculation of the share of profits should be available for inspection in accordance with the requirements of Public Private Partnership agreements. If the PPP is dormant then a duly approved dormant resolution should be available for inspection.

5.8 COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS

The Council did not comply with certain International Public Sector Accounting Standards (IPSASs). These includes IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets – not all the contingencies from pending legal cases have been disclosed.

Recommendation

Council should ensure that compliance with applicable reporting standards is adhered to at all times without any fail.

5.9 No Information Systems Audits Performed In The Past Five Years

There were no information systems audits performed for the past five years on E-Venus, CRS system for payroll and TCS system for fines. The Municipality has been relying on information produced by these systems for financial reporting yet the application controls and the general controls have not been tested for the past five years.

Recommendation

Council should ensure that the information systems audits are performed with sufficient regularity in accordance with industry best practices.

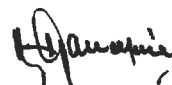
6. BASIS FOR DISCLAIMER AUDIT OPINION

- Fixed asset register could not be provided for audit purposes;
- Non-compliance with the Labour Act in determining the Leave pay provision;
- Commercial insolvency;
- Unexplained suspense account balance of N\$ N\$ 131 963 144;
- Recognition of sale of erven on cash basis instead of the accrual basis;
- No supporting documents of share of profit from Public Private Partnership;
- Non-compliance with IPSAS 19; and
- No information systems audits to assess the reliability of financial data generated.

7. DISCLAIMED AUDIT OPINION

The accounts of the Municipality of Windhoek for the financial year ended 30 June 2016 summarized in Annexures A were audited in terms of the provision of Section 85 of the Local Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

Because of the significance of the matters described in the Basis for Disclaimer of audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



WINDHOEK, July 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF WINDHOEK
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2017 N\$	2016 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	3 898 964 699	3 850 861 743
Investments	3	3 831 966 330	3 779 401 837
Long-term receivables	4	17 511 159	16 496 797
		49 487 210	54 963 109
Current assets			
Inventory	5	877 143 998	809 483 716
Receivables from exchange transactions	6	62 303 641	66 518 615
Receivables from non-exchange transactions	6	327 461 106	242 595 580
VAT Receivable	7	170 195 983	64 781 864
Cash and Cash Equivalents	8	-	87 792 951
Current Portion of Long-term Receivables	4	304 377 632	335 673 985
		12 805 636	12 120 720
TOTAL ASSETS		4 776 108 697	4 660 345 460
FUNDS AND LIABILITIES			
Net Assets			
Statutory Funds	9	2 168 533 270	2 266 618 116
Accumulated Surplus		206 443 500	206 356 714
		1 962 089 770	2 060 261 403
Non-current liabilities			
Long-term Liabilities	10	817 098 390	794 471 153
Employee Benefit liabilities	11	294 734 146	304 751 365
		522 364 244	489 719 788
Current liabilities			
Consumer Deposits	14	1 790 477 036	1 599 256 191
Payables from exchange transactions	12	53 991 905	52 140 001
Payables from non-exchange transactions	12	1 284 750 808	1 255 994 816
Unspent Conditional Grants and Receipts	13	8 113 935	12 027 536
VAT Payable	15	914 709	1 112 228
Bank Overdraft	8	9 010 295	-
Current Portion of Long-term Liabilities	10	338 023 100	189 840 937
Current Portion of Employee Benefit Liabilities	11	61 178 507	58 539 035
		34 493 776	29 601 638
TOTAL FUNDS AND LIABILITIES		4 776 108 697	4 660 345 460

MUNICIPALITY OF WINDHOEK
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	2017	2016
	N\$	N\$
REVENUE	3 575 831 751	3 522 372 183
Revenue from Exchange Transactions		
Property Rates	379 594 409	333 410 288
Fines	30 412 345	59 584 669
Licences and Permits	2 675 733	2 218 574
Government Grants and Subsidies	39 394 705	116 642 775
Public Contributions and Donations	10 618 513	51 529 284
Revenue from Exchange Transactions		
Service Charges	2 799 241 326	2 639 609 027
Rental of Facilities and Equipment	26 407 377	32 514 990
Interest Earned – External Investments	24 964 907	27 351 612
Interest Earned – Outstanding Debtors	94 618 962	73 723 741
Dividends received	611 048	527 496
Other Revenue	50 548 610	66 725 963
Gains on other operations	1 264 123	807 898
Gains on disposal of Property, Plant and Equipment	-	67 053
Profit on Sale of Land	115 479 692	117 658 811
EXPENDITURE	3 673 916 597	3 552 579 825
Employee related costs	1 162 435 049	1 180 243 899
Remuneration of councillors	6 526 186	6 190 217
Collection Costs	257 633	40 828
Depreciation and Amortisation	201 669 336	134 213 515
Impairment cost	136 936 097	60 512 827
Repairs and maintenance	228 681 998	258 318 602
Finance cost	68 860 686	29 611 416
Bulk Purchases	1 548 665 931	1 510 808 390
Contracted services	135 598 377	125 938 649
Grants and subsidies paid	5 709 803	6 265 215
Research and development costs	6 696	3 100
General expenses	177 496 010	238 710 362
Losses on other operations	5 372	1 722 805
Loss on disposal of property, plant and equipment	67 423	-
SURPLUS/(DEFICIT) FOR THE YEAR	(98 084 846)	(30 207 643)
Transfer from/(to) Funds	(86 787)	(8 273 177)
NET DEFICIT FOR THE YEAR	(98 171 633)	(38 480 819)
Accumulated funds at the beginning of year	2 060 261 403	2 098 742 222
ACCUMULATED FUNDS At The End Of The Year	1 962 089 770	2 060 261 403

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

	Note	2017 N\$	2016 N\$
Cash generated by operations			
Cash receipts		3 214 366 805	3 369 276 662
Property rates		379 135 342	331 700 604
Government Grants and Subsidies		39 394 705	116 642 775
Public Contributions and Donations		2 802 274	2 653 528
Service charges		2 595 234 574	2 706 002 427
Interest received		23 765 126	26 802 293
Dividends received		611 048	527 496
Other receipts		173 423 736	184 947 539
Payments		(3 259 726 273)	(3 282 089 384)
Employee related cost		(1 125 898 455)	(1 084 354 721)
Remuneration of Councillors		(6 526 186)	(6 190 217)
Interest paid		(68 860 686)	(29 611 416)
Suppliers paid		(1 870 965 045)	(1 762 500 589)
Other payments		(187 475 901)	(399 432 441)
Net cash generated from operations		(45 359 468)	87 187 278
Cash flows from investing activities			
Purchase of Property, Plant & Equipment		(246 615 109)	(333 946 276)
Proceeds on Disposal		(67 423)	67 053
Profit on sale of Land		115 479 692	117 658 811
Decrease/ (Increase) in Non- Current Investments		(1 014 362)	11 009 780
(Increase)/ Decrease in Long- term Receivables		5 475 899	3 504 529
Net cash flow from investing activities		(126 741 303)	(201 706 103)
Cash flows from financing activities			
Proceeds from Borrowings		52 305 043	112 952 842
Repayment of Borrowings		(59 682 790)	(59 728 671)
Net cash flow from financing activities		(7 377 747)	53 224 172
Net movement in cash funds		(179 478 517)	(61 294 652)
Cash and Cash Equivalents at Beginning of Period		145 833 049	207 127 700
Cash and cash equivalents at end of period	8	(33 645 469)	145 833 049

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017**

1. Basis of presentation

The City of Windhoek (CoW) adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2015, having previously prepared its financial statements on the accrual basis accounting standards of the Institute of Municipal Financial Officers (IMFO). In the adoption of accrual basis IPSAS's, it has elected to utilise some of the transitional exemptions allowed by IPSAS 33, "First Time Adoption of Accrual Basis IPSAS's".

Some of the transitional exemptions utilised do affect the fair presentation of the financial statements, as well as compliance with accrual basis IPSAS's, during the period of transition and therefore CoW 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.

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2017 the Municipality has adopted the accounting framework as set out in paragraph 1 above. The details of the resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of IPSAS; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Municipality's financial position, financial performance or cash flows.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below: Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions). As far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 47.1 on Financial Assets Classification and Accounting Policy 4.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IPSAS 29 (Financial Instruments: Recognition and Measurement).

1.2.3 Impairment of Financial Assets

Accounting Policy 4.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in IPSAS 29 (Financial Instruments: Recognition and Measurement) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)

1.2.4 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 creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-Exchange Transactions and that of Long-term Receivables are disclosed in the Municipality's Annual Financial Statements.

1.2.5 Useful lives of Property, Plant and Equipment

As described in Accounting Policy 3.4, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortizes 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 useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgment 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.

1.2.4 Defined Benefit Plan Liabilities

As described in Accounting Policy 7.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IPSAS 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.5 Provisions and Contingent Liabilities

Management judgement is required when measuring Contingent Liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IPSAS 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

1.2.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in Namibian Dollar, rounded off to the nearest Dollar which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Basis.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by an IPSAS.

1.6 Transitional Exemptions and Provisions

As CoW adopted accrual basis IPSAS's for the first time at 1 July 2015 and is making use of some of the transitional provisions for the 2016/17 financial year. Details of the progress in adopting accrual basis IPSAS's are provided below.

Transitional exemptions utilised that do affect fair presentation

CoW utilised the following transitional exemptions that do affect the fair presentation of the financial statements:

- IPSAS 12 Inventories
- IPSAS 13 Leases
- IPSAS 16 Investment Property
- IPSAS 17 Property, Plant and Equipment
- IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 27 Agriculture
- IPSAS 31 Intangible Assets
- IPSAS 34 Separate Financial Statements
- IPSAS 35 Consolidated Financial Statements
- IPSAS 36 Investments in Associates and Joint Ventures
- IPSAS 37 Joint Arrangements
- IPSAS 38 Disclosure of Interests in Other Entities

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

Transitional exemptions utilized that do not affect fair presentation

- IPSAS 18 Segment Reporting
- IPSAS 21 Impairment of Non-Cash Generating Assets
- IPSAS 26 Impairment of Cash Generating Assets

IPSAS's adopted in full

The following IPSAS standards have been considered and, where applicable, applied in full:

- IPSAS 1 Presentation of Financial Statements
- IPSAS 2 Cash Flow Statements
- IPSAS 4 The Effects of Changes in Foreign Exchange Rates
- IPSAS 5 Borrowing Costs
- IPSAS 9 Revenue from Exchange Transactions
- IPSAS 11 Construction Contracts
- IPSAS 20 Related Party Disclosures
- IPSAS 22 Disclosure of Information about the General Government Sector
- IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- IPSAS 24 Presentation of Budget Information in the Financial Statements
- IPSAS 25 Employee Benefits
- IPSAS 28 Financial Instruments: Presentation
- IPSAS 29 Financial Instruments: Recognition and Measurement
- IPSAS 30 Financial Instruments: Disclosure
- IPSAS 32 Service Concession Arrangements: Grantor

2. NET ASSETS

Included in the Net Assets of the municipality are the following Funds and Reserves that are maintained in terms of specific requirements:

2.1 Statutory Funds

2.1.1 Betterment Contribution Fund:

The Betterment Contribution Fund was established in terms of Section 42 of the Townships and Division of Land Ordinance, 1963 Ordinance 11 of 1963).

The Betterment Contribution Fund contains all proceeds from betterment contributions and sale of land. Monies standing to the credit of the Betterment Contribution Fund shall be applied in such manner as the Minister may approve, towards the discharge of any debt of the municipality, or otherwise for any purpose for which capital money may be applied.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

2.1.2 Endowment Fund:

The Endowment Fund was established in terms of Section 19(5) of the Town Planning Ordinance, 1954 (Ordinance 18 of 1954).

The Endowment Fund contains all proceeds from endowment contributions on sub-divisions of land. Monies standing to the credit of the Endowment Fund shall be used to finance and carry out betterment works or for erecting, constructing or acquiring amenities or public places in the public interest

2.1.3 Housing 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.

2.2 Accumulated Surplus

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

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Transitional Provisions

The municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 17, which allows 3 years for the recognition and/or measurement of Property, Plant and Equipment.

It is therefore possible that some items of Property, Plant and Equipment have not been recognised and/or measured in accordance with IPSAS 17. The municipality is in the process of recognising and/or measuring all its Property, Plant and Equipment for inclusion in the 2017/18 Annual Financial Statements.

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)

3.2 Initial Recognition

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 year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of Property, Plant and Equipment 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.

3.3 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

3.4 De recognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorized as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognizes a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognized on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

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

4.1 Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with IPSAS 29 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets at Fair Value through Surplus or Deficit** are financial assets that meet either of the following conditions:
 - (i) They are classified as held for trading; or
 - (ii) Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

- **Held-to-Maturity Investments** are non-derivative financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.
- **Loans and Receivables** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Noncurrent Assets. Loans and Receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortized cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Available-for-Sale Investments** are non-derivative financial assets that are designated as available for sale or are not classified as:
 - (i) Loans and Receivables;
 - (ii) Held-to-Maturity Investments; or
 - (iii) Financial Assets at Fair Value through Surplus and Deficit.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of IPSAS 29
Non-current Investments – Fixed Deposits	Held-to-Maturity Investments
Non-current Investments – Shares	Available-for-Sale Investments
Long-term Receivables	Loans and Receivables
Receivables from Exchange Transactions	Loans and Receivables
Receivables from Non-exchange Transactions	Loans and Receivables
Bank, Cash and Cash Equivalents – Notice Deposit	Held-to-Maturity Investments
Bank, Cash and Cash Equivalents – Call Deposits	Available-for-Sale Investments
Bank, Cash and Cash Equivalents – Bank	Available-for-Sale Investments
Bank, Cash and Cash Equivalents – Cash	Available-for-Sale Investments
Current Portion of Non-current Investments	Held-to-Maturity Investments
Current Portion of Long-term Receivables	Loans and Receivables

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorizes Cash and Cash Equivalents as Financial Assets at Amortized Cost.

ANNEXURE D
MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)

4.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities at Fair Value through Surplus or Deficit; or
- (ii) Financial Liabilities at Amortized Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of IPSAS 29
Long-term Liabilities	Financial Liabilities at Amortized Cost
Payables from Exchange Transactions	Financial Liabilities at Amortized Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortized Cost
Bank Overdraft	Financial Liabilities at Amortized Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortized Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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

4.3 Initial and Subsequent Measurement

4.3.1 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 recognized in the Statement of Financial Performance.

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 amortized cost using the *Effective Interest Method* less any impairment, with revenue recognized on an *Effective Yield Basis*.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
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Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. *Loans and Receivables* are initially recognized 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 amortized 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 unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the Statement of Financial Performance.

4.3.2 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 recognized in the Statement of Financial Performance.

At Amortized 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 amortized cost using the *Effective Interest Rate Method*. Interest expense is recognized in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

4.4 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 recognized in accordance with IPSAS 29.

4.4.1 Financial Assets at Amortized Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-Exchange Transactions (Other Debtors). Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortized cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IPSAS 29 whereby 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 Amortized 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 recognized in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, 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 recognized, the previously recognized impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

4.4.2 Financial Assets Available-for-Sale

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in net assets shall be removed and recognized in the Statement of Financial Performance even though the financial asset has not been derecognized.

The amount of the cumulative loss that is removed from net assets and recognized in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in Statement of Financial Performance.

Impairment losses recognized in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance.

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 recognized in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognized in the Statement of Financial Performance.

4.5 Derecognition of Financial Assets

The municipality derecognizes Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

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

4.6 Derecognition of Financial Liabilities

The municipality derecognizes Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognizes 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 the Statement of Financial Performance.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

5. INVENTORIES

5.1 Transitional Provisions

The municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 12, which allows 3 years for the recognition and/or measurement of Inventories.

It is therefore possible that some items of Inventories have not been recognized and/or measured in accordance with IPSAS 12. The municipality is in the process of recognizing and/or measuring all its Inventories for inclusion in the 2017/18 Annual Financial Statements.

6. REVENUE RECOGNITION

6.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognized by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-Exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognized to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

6.2 Revenue from Exchange Transactions

6.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. 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 recognized 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 recognized 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 recognized 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 extent of each property.

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

6.2.2 Prepaid Electricity and Water

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

6.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognized on a Straight-line Basis over the term of the lease agreement.

6.2.4 Finance Income

Interest earned on investments is recognized in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

6.2.5 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

6.2.6 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licenses and permits.

6.2.7 Revenue from Agency Services

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

6.2.8 Sale of Goods (including Houses)

Revenue from the sale of goods is recognized when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

6.3 Revenue from Non-Exchange Transactions

An inflow of resources from a Non-Exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-Exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

6.3.1 Rates and Taxes

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

6.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not being made at the time of initial recognition.

6.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the IPSAS's.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

6.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue 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.

7. EMPLOYEE BENEFIT LIABILITIES

7.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

7.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

7.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. 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.

National-administered Defined Benefit Plans

The municipality contributes to a National-administered Defined Benefit Plan on behalf of its qualifying employees. This fund is a multi-employer fund. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. This defined benefit fund is actuarially valued annually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

7.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-Retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to its qualifying employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 20, 25, 30, 35 and 40 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

8. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset in accordance with the requirements of IPSAS 5. To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

9. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

10. VALUE ADDED TAX

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

11. SERVICE CONCESSION ARRANGEMENTS: GRANTOR

A Service Concession Arrangement is a binding arrangement between the municipality and an operator in which:

- (a) The operator uses the service concession asset to provide a public service on behalf of the municipality for a specific period of time; and
- (b) The operator is compensated for its services over the period of the service concession arrangement.

The municipality analyses all aspects of Service Concession Arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the municipality recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognised are measured at their fair value. To the extent that an asset has been recognised, the municipality also recognises a corresponding liability, adjusted by a cash consideration paid or received.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

11.1 Initial Measurement of Related Liability

Where a first-time adopter elects to measure Service Concession Assets using deemed cost, the Related Liabilities shall be measured as follows:

- (a) For the Liability under the Financial Liability Model, the remaining contractual cash flows specified in the binding arrangement and the rate prescribed in IPSAS 32; or
- (b) For the Liability under the grant of a right to the Operator Model, the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the Service Concession Arrangement.

A first-time adopter shall recognise and/or measure any difference between the value of the Service Concession Asset and the Financial Liability under the Financial Liability Model described above, in Opening Accumulated Surplus or Deficit in the period in which the items are recognised and/or measured.

CoW has considered the stipulations in IPSAS 32 in full and found that no arrangements falling within the ambit of this standard existed at year-end and therefore the standard is not applicable to its financial statements for the year.

12. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying, to the foreign currency amount, the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2017 (continued)**

13. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with IPSAS 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with IPSAS 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with IPSAS 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

14. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements when the relevant recognition requirements in terms of IPSAS 19 are met.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2017 (continued)**

16. COMMITMENTS

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

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific IPSAS.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

17. RELATED PARTIES

17.1 Transitional Provisions

For the prior financial year, the municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 13, which allows 3 years for the disclosure of Related Party Relationships, Related Party Transactions and Information about Key Management Personnel. However, for the current year CoW has decided to early adopt IPSAS 20 and therefore developed and implemented Accounting Policies accordingly.

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.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2017 (continued)**

18. EVENTS AFTER THE 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.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

In accordance with IPSAS 1 budgeted amounts have been provided for published budgets and forms part of the Annual Financial Statements.

19.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19.3 Budget Information

The annual budget figures have been prepared in accordance with the IPSAS's and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items.

The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2017 (continued)

1. GENERAL INFORMATION

City of Windhoek (the municipality) is a local government institution in Windhoek, the capital of Namibia, under the jurisdiction of the Khomas Regional Council. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Local Authorities Act.

	2017	2016
	N\$	N\$
2. Property, plant and equipment	3 831 966 330	3 779 401 836
Land	28 827 827	28 827 827
Buildings	313 710 121	283 931 231
Infrastructure	2 617 846 725	2 486 961 897
Community	92 700 792	88 569 613
Other	1 853 805 795	1 772 952 710
Housing assets	40 472 829	40 472 829
Leased assets	67 517 721	58 931 873
Accumulated depreciation	(1 182 915 480)	(981 246 144)
3. Investments	17 511 159	16 496 797
Listed shares	17 511 159	16 496 797
4. Long-term receivables	49 487 210	54 963 110
Housing loans	31 656 830	38 725 503
Vehicle loans	17 830 380	16 237 607
Current portion of long-term receivables	12 805 636	12 120 720
Housing loans	4 825 110	4 676 391
Vehicle loans	7 980 526	7 444 329
Total long-term receivables	62 292 846	67 083 830
5. Inventory	62 303 641	66 518 616
Ammunition	173 505	178 502
Consumable stores	1 669 245	1 417 441
Fuel and Oil	2 287 657	4 043 780
Maintenance materials	57 830 968	60 521 399
Spare Parts and Meters	342 266	357 494

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2017 (continued)

	2017	2016
	N\$	N\$
6. Receivables		
6.1 receivables from exchange transactions	327 461 105	242 595 580
Electricity	139 703 245	127 780 482
Refuse	38 401 821	31 173 478
Sewerage	38 939 674	26 783 993
Water	157 308 993	122 735 061
Housing debtors	9 832 906	101 284 496
Other receivables	367 253 104	186 454 387
Accruals	94 258 757	54 107 666
VAT debtor control	29 554 712	20 926 898
Less: Provision for bad debts	(547 792 107)	(428 650 881)
6.2. Receivables from non-exchange transactions	170 195 983	220 330 188
Assessment rates debtors	60 630 375	60 171 308
Short-term Loans	6 404 619	6 791 525
Sundry debtors	21 744 422	44 537 584
Suspense accounts	131 963 144	31 305 609
Less: Provision for bad debts	(50 546 577)	78 024 162
7. Vat receivables	-	87 792 951
8. Cash and cash equivalents	(33 645 468)	145 833 048
Short-term Deposits	297 847 805	329 666 637
Bank accounts	6 485 277	5 971 498
Bank overdraft	(338 023 100)	(189 840 937)
Cash and Cash Equivalents	44 550	35 850
9. Statutory funds	206 443 500	206 356 715
Housing fund	206 443 500	206 356 714
10. Long-term loans	294 734 146	304 751 364
Annuity loans	276 676 952	264 780 890
Finance lease liabilities	79 235 701	98 509 509
Less: Current portion	(61 178 507)	(58 539 035)

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2017 (continued)

	2017	2016
	N\$	N\$
11. Employee benefits liabilities	487 870 468	460 118 150
Post-retirement Health Care Benefits Liability	486 650 287	445 471 322
Long service awards liability	70 207 733	73 850 104
Less current portion	(34 493 776)	(29 601 638)
Post-retirement Health Care Benefits Liability	(9 667 409)	(6 860 712)
Long service awards liability	(24 826 367)	(22 740 926)
12. Trade and other payables		
12.1 from exchange transactions	1 284 750 808	1 255 994 816
Payments received in Advance	96 955 079	72 380 303
Trade creditors	64 915 540	102 752 899
Retentions	47 843 511	51 249 134
Staff bonuses	24 036 356	20 190 410
Staff leave	218 907 214	209 460 265
Other creditors	832 093 108	799 961 805
12.2 from non-exchange transactions	8 113 936	12 027 536
Suspense accounts	7 772 090	10 722 045
Sundry deposits	341 846	1 305 491
13. Unspent conditional grants and receipts	914 709	1 112 228
Public contributions	914 709	1 112 228
14. Consumer deposits	53 991 905	52 140 001
Electricity	40 121 039	39 065 017
Water	13 870 866	13 074 984
15. Vat payable	9 010 295	-

