



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF KARIBIB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 Karibib Town Council 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 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'.

WINDHOEK, December 2024

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARIBIB TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

1. DISCLAIMER OF OPINION

I have audited the financial statements of Karibib Town Council 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 assets, the statement of cash flow for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis for 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 annual financial statements.

2. BASIS FOR DISCLAIMER OF AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audits Institutions (ISSAI's). 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 my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. A disclaimer audit opinion is expressed due to the following:

2.1 Property, plant and equipment

The Council engaged experts to perform a land verification exercise. This exercise resulted in property, plant and equipment carrying amount being increased to N\$ 1 608 569 533 (2022: N\$ 1 605 452 332) the prior year amount was restated from N\$ 159 017 558. The auditors were unable to obtain sufficient appropriate audit evidence regarding the reasonableness and appropriateness of the methodology used by the experts to perform the exercise. Furthermore, the auditors were unable to obtain sufficient appropriate audit evidence to evaluate whether the experts whose work was used had the necessary capabilities, competence and objectivity for the purposes of the audit.

Consequently, the auditors were unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness, accuracy and valuation of the property, plant and equipment.

Furthermore, auditors noted that there was a difference of N\$ 8 669 327 between the property, plant and equipment disclosed in the financial statements of N\$ 1 608 569 533 and in the general ledger of N\$ 1 599 870 206.

2.2 Inventory

The Council engaged experts to perform a land verification exercise. This exercise resulted in inventory carrying amount being increased to N\$ 148 008 006 as at 30 June 2023 and the prior year amount was restated to N\$ 157 852 084. The auditors were unable to obtain sufficient appropriate audit evidence regarding the reasonableness and appropriateness of the methodology used by the experts to perform the exercise. Furthermore, the auditors were unable to obtain sufficient appropriate audit evidence to evaluate whether the experts whose work was used had the necessary capabilities, competence and objectivity for the purposes of the audit.

Consequently, the auditors were unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness, accuracy and valuation of the property, plant and equipment.

2.3 Correction of errors

Correction of prior period errors amounting to N\$ 8 431 476 were processed in the statement of changes in net assets or equity under accumulated surplus thus restating the balance as at 1 July 2022. The auditors could not obtain sufficient appropriate audit evidence on the existence, completeness, accuracy and validity of the adjustments made.

2.4 Equity adjustments in current year

Direct adjustments to equity amounting to N\$ 15 976 229 were processed in the statement of changes in net assets or equity to accumulated surplus affecting the net position as at 30 June 2023. The auditors could not obtain sufficient appropriate audit evidence on the existence, completeness, accuracy and validity of the adjustments made.

2.5 Restatements

The statement of surplus or deficit and the cash flow statement prior year amounts were restated which is not in compliance with IPSAS 3 paragraph 27 which states “Subject to paragraph 28, when a change in accounting policy is applied retrospectively in accordance with paragraph 24(a) or (b), the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.”

2.6 Cash flow statement

There is a difference of N\$ 51 822 between the construction of property plant and equipment N\$ 6 225 318 and the amount in the property, plant and equipment reconciliation N\$ 6 277 140. Furthermore there is a repayment of long-term borrowings of N\$ 313 108 (2022: N\$ 337 586) while there are no long-term borrowings presented in the statement of financial position.

2.7 Difference between statement of financial position and notes

The auditors noted a difference of N\$ 1 068 159 (2022: N\$ 2 066 143) between the statement of financial position N\$ 5 203 925 (2022: N\$ 5 137 943) and note 10, N\$ 6 272 084 (2022: N\$ 7 204 086).

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

The Town Council has not fully adopted the IPSAS listed below 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;

Severance provision

The Town Council valued the severance provision of N\$ 1 278 968 (2021: N\$ 16 676 860) based on future value principle; however, in terms of the IPSAS 39 employee Benefits, post-employment benefits must be valued based on actuarial assumptions. Consequently, the auditors were unable to satisfy themselves as to the existence, completeness, valuation and accuracy of severance provision.

3. OTHER INFORMATION

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

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

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

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

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

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

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

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

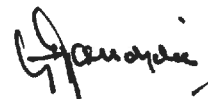
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable related safeguards.

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

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2023 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992) on 14 June 2024 instead of three months after year end.



WINDHOEK, December 2024

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

KARIBIB TOWN COUNCIL

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE

	Note	2023	2022 restated
		N\$	N\$
ASSETS			
Current assets		167 413 923	172 916 459
Inventories	4	148 646 369	158 881 515
Accounts receivables	5	9 625 904	6 854 634
Value added tax receivable	6	506 047	731 949
Current portion of long-term receivables		-	73 920
Restricted cash	7	6 706 784	5 444 810
Unrestricted cash	7	1 849 917	856 186
Prepayments	8	78 902	73 444
Non-current assets		1 613 131 260	1 610 207 921
Property, plant and equipment	2	1 608 569 533	1 605 452 332
Intangibles	3	147 763	172 838
Investments		3 129 079	3 129 079
Long term receivables		1 284 885	1 453 672
Total assets		1 780 545 184	1 783 124 380
LIABILITIES			
Current Liabilities		14 256 378	13 629 597
Accounts payables: non-exchange transactions	9	2 924 909	2 524 749
Accounts payables: exchange transactions	10	5 203 925	5 137 943
Other Creditors		1 068 159	2 066 143
Accrued expenses	11	1 504 292	772 937
Employee Provisions	12	3 555 093	3 127 826
Non-current liabilities			
Long term liabilities		-	-
Total Liabilities		14 256 378	13 629 597
Net assets		1 766 288 805	1 769 494 783
Net Assets/Equity			
Funds and accounts	25	4 773 789	4 707 905
Accumulated surplus		1 761 515 017	1 764 786 878
Total net assets/equity		1 766 288 805	1 769 494 783

ANNEXURE B

KARIBIB TOWN COUNCIL

STATEMENT OF SURPLUS OR DEFICIT FOR THE YEAR ENDED 30 JUNE

	Note	2023 N\$	2022 Restated N\$
Revenue			
Revenue from exchange transactions		29 851 801	22 711 726
Service charges	13	19 731 292	17 601 655
Erven Sales	14	5 263 092	378 530
Rental revenue	15	1 104 845	777 963
Cenored Surcharges	16	1 174 514	1 284 563
Other revenue	17	911 332	1 244 262
Interest revenue	18	1 666 725	1 424 753
Revenue from non-exchange transactions		15 223 124	17 225 464
Property rates and taxes		12 003 221	11 167 671
Government & other departments transfer	19	3 219 903	5 998 993
Penalties & fines		-	800
Donation		-	58 000
Total revenue		45 074 925	39 937 190
Expenses		32 957 307	35 559 779
General and administration expenses	20	5 665 639	4 600 373
Employee costs	21	12 311 152	12 207 409
Repairs and maintenance	22	1 244 767	1 297 972
Bulk Water Purchases		8 430 170	8 142 898
Depreciation	2	2 499 939	2 392 761
Amortisation	3	25 075	24 308
Regional Council 5% levy		600 161	558 754
Insurance	23	289 615	241 613
Employee Contributions	24	646 121	424 516
Finance cost		23 624	92 426
Allowance for doubtful debts		1 221 044	5 576 749
Surplus for the year		12 117 618	4 377 411

ANNEXURE C

KARIBIB TOWN COUNCIL

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

	Note	Funds and accounts	Accumulated surplus/(deficit)	Total net assets/equity
		N\$	N\$	N\$
Opening balance as at 01 July 2021		4 637 050	242 592 028	247 229 078
Changes in accounting policies				
Adjustments:				
IPSAS adjustments	26	-	1 509 456 817	1 509 456 817
Correction of errors	27	-	8 431 476	8 431 476
Total movements		-	1 517 888 293	1 517 888 293
Surplus or deficit for the year		-	4 377 411	4 377 411
Transfers to funds & accounts		70 854	(70 854)	-
Sub-total		70 854	4 306 557	4 377 411
Opening balance as at 01 July 2022		4 707 905	1 764 786 878	1 769 494 783
Adjustments:				
Direct adjustments to equity		-	(15 976 229)	(15 976 229)
Correction of errors		-	652 634	652 634
Surplus for the year		-	12 117 618	12 117 618
Transfers to funds & accounts		65 884		
			(65 884)	-
Sub-total		65 884	(3 271 861)	(3 205 978)
Net position as at 30 June 2023		4 773 789	1 761 515 017	1 766 288 805

ANNEXURE D

KARIBIB TOWN COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$
Cash flow from operating activities		
Receipts	37 148 518	36 777 327
Sale of goods and services	33 814 076	30 774 102
Government grants and subsidies	3 054 903	5 833 993
Donations	-	58 000
Interest received	279 540	111 232
Payments	(28 354 388)	(27 141 445)
Employee costs and remuneration	(12 311 152)	(12 207 409)
Cash paid to suppliers	(16 043 237)	(14 934 036)
Net Cash flow from operating activities	8 794 130	9 635 882
Cash flow from investing activities		
Construction of property, plant and equipment	(6 225 318)	(4 818 179)
Proceeds from sale of plant and equipment	-	657 761
Net cash flow from investing activities	(6 225 318)	(4 160 418)
Cash flow from financing activities		
Repayment of long-term borrowings	(313 108)	(337 586)
Net cash flow from financing activities	(313 108)	(337 586)
Net increase/ (decrease) in cash and cash equivalents	2 255 704	5 137 877
Cash and cash equivalents at the beginning of period	6 300 996	1 163 120
Cash and cash equivalents at the end of period	8 556 701	6 300 996

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Budget adjusts	Finl adjst'd budget	Actual outcome	Unthrsd exp	Variance	Variance
	N\$	N\$	N\$	N\$	N\$	N\$	%
Statement of surplus or deficit							
Revenue: exchange transactions							
Service charges	18 260 000	-	18 260 000	19 731 292	-	2 008 793	11%
Even Sales	2 500 000	-	2 500 000	5 263 092	-	2 763 092	111%
Rental revenue	723 000	-	723 000	1 104 845	-	381 845	53%
Cenored Surcharges	1 300 000	-	1 300 000	1 174 514	-	(125 486)	-10%
Other revenue	850 000	-	850 000	911 332	-	61 332	7%
Interest revenue	0	-	-	1 666 725	-	1 666 725	100%
Sub-total	25 352 000	-	24 409 000	29 851 801	-	3 776 076	15%
Revenue: non-exchange transactions							
Property rates and taxes	13 000 000	-	13 000 000	12 003 221	-	(996 779)	-8%
Government & other departments transfer	5 929 900	-	5 929 900	3 219 903	-	(2 709 997)	-46%
Sub-total	18 929 900	-	18 929 900	15 223 124	-	(3 706 776)	-20%
Total revenue	44 281 900	-	43 338 900	45 074 925	-	1 736 025	4%
Expenses							
General and administration expenses	8 408 348	-	8 408 348	5 665 639	-	2 742 709	33%
Employee costs	12 629 820	-	12 629 820	11 796 983	-	832 837	7%
Councillors' remuneration	483 086	-	483 086	514 169	-	(31 083)	-6%
Repairs and maintenance	1 955 500	-	1 955 500	1 244 767	-	710 733	36%
Bulk Water Purchases	8 000 000	-	8 000 000	8 430 170	-	(430 170)	-5%
Depreciation	-	-	-	2 499 939	-	(2 499 939)	-100%
Amortisation	-	-	-	25 075	-	(25 075)	-100%
Regional Council 5% levy	650 000	-	650 000	600 161	-	49 839	8%
Insurance	270 000	-	270 000	289 615	-	(19 615)	-7%
Employee Contributions	200 000	-	200 000	646 121	-	(446 121)	-223%
Finance costs	67 348	-	67 348	23 624	-	43 724	65%
Allowance for doubtful debts	1 000 000	-	1 000 000	1 221 044	-	(221 044)	-22%
Total expenses	33 664 102	-	33 664 102	32 957 307	-	169 447	1%
Surplus or (deficit) for the year	11 185 146	-	10 242 146	12 117 618	-	-1 875 472	-18%

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Budget adjstnts	Fnl adjst'd budget	Actual outcome	Unthrsd exp	Variance N\$	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	%
Total capital expenditure	5 732 000	-	5 732 000	6 277 140	-	(545 140)	10%
Sources of capital funds							
Government contributions	2 600 000	-	2 600 000	3 054 903	-	(454 903)	17%
Internally generated funds	3 132 000	-	3 132 000	3 222 237	-	(90 237)	3%
Total funding for capital projects	5 732 000	-	5 732 000	6 277 140	-	(545 140)	

The execution of the capital budget is as per the Property, Plant and Equipment note 2.

Unappropriated capital expenditure - 2023

Store upgrade	250 000	-	250 000	-	-	250 000	100%
Pick up vehicle	750 000	-	750 000	-	-	750 000	100%
Fleet management	100 000	-	100 000	-	-	100 000	100%
Strong room	600 000	-	600 000	-	-	600 000	100%
Cemetery upgrade	50 000	-	50 000	-	-	50 000	100%
Air conditioners	50 000	-	50 000	-	-	50 000	100%
SME incubation centre	500 000	-	500 000	-	-	500 000	100%
Fences & Pathways	100 000	-	100 000	-	-	100 000	100%
Fencing agricultural plots	500 000	-	500 000	-	-	500 000	100%
Play ground	40 000	-	40 000	-	-	40 000	100%
Fire protection equipment	50 000	-	50 000	-	-	50 000	100%
Fire hose	30 000	-	30 000	-	-	30 000	100%
Fire hydrants	30 000	-	30 000	-	-	30 000	100%
Fire extinguishers	50 000	-	50 000	-	-	50 000	100%
Grass beater	5 000	-	5 000	-	-	5 000	100%
Fire foam	30 000	-	30 000	-	-	30	100%
Total unappropriated capital exp	3 135 000	-	3 135 000	-	-	3 135	100%

The capital projects budgeted but not executed set out above were not undertaken during the financial year due to funding

ANNEXURE E

KARIBIB TOWN COUNCIL NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - CONTINUED

Namibia Dollar	Original	Budget	Fin	Actual	Unthrsd	Variance	Var %
	Budget	adjst'd	ajdsts	outcome	exp		
	N\$	N\$	N\$	N\$	N\$	N\$	
Budgeted revenues uncollected							
Illegal construction fee	20 000	-	20 000	-	-	20 000	-100%
Karibib travel and tourism financial assistance	450 000	-	450 000	-	-	450 000	-100%
Illegal dumping fee	10 000	-	10 000	-	-	10 000	-100%
Braai/small business act/da	5 000	-	5 000	-	-	5 000	-100%
Excessive noise fee	2 000	-	2 000	-	-	2 000	-100%
Financial assistance received	80 000	-	80 000	-	-	80 000	-100%
Building rubble	10 000	-	10 000	-	-	10 000	-100%
Adverts boundary walls	5 000	-	5 000	-	-	5 000	-100%
Business registration	15 000	-	15 000	-	-	15 000	-100%
Community garden donations	10 000	-	10 000	-	-	10 000	-100%
Taxi registration	1 389	-	1 389	-	-	1 389	-100%
Business forum contribution	30 000	-	30 000	-	-	30 000	-100%
Dividend received	350 000	-	350 000	-	-	350 000	-100%
Penalties and fines	19 000	-	19 000	-	-	19 000	-100%
Total	1 007 389	-	1 007 389	-	-	1 007 389	-100%

ANNEXURE E

KARIBIB TOWN COUNCIL NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Namibia Dollar	Original Budget N\$	Budget adjstnts N\$	Fin adjst'd budget N\$	Actual outcome N\$	Unthrsd exp N\$	Variance N\$	Var %
Unappropriated operational expenditure - 2023							
Legal fees	40 000	-	40 000	-	-	40 000	100%
Old Mutual staff funeral	20 000	-	20 000	-	-	20 000	100%
Contribution to HIV Regional fund	15 000	-	15 000	-	-	15 000	100%
Junior school	50 000	-	50 000	-	-	50 000	100%
Build Together seating allowance	10 000	-	10 000	-	-	10 000	100%
Insect control	2 000	-	2 000	-	-	2 000	100%
Provision leave gratuities	200 000	-	200 000	-	-	200 000	100%
Debt collection comm	50 000	-	50 000	-	-	50 000	100%
Debut order system fee	30 000	-	30 000	-	-	30 000	100%
Natural disaster	90 000	-	90 000	-	-	90 000	100%
Valuation fee	750 000	-	750 000	-	-	750 000	100%
Workshop	30 000	-	30 000	-	-	30 000	100%
Mayor's forum	25 000	-	25 000	-	-	25 000	100%
Tourism Expo expenses	600 000	-	600 000	-	-	600 000	100%
Gender & Welfare	30 000	-	30 000	-	-	30 000	100%
Corporate phone	3 900	-	3 900	-	-	3 900	100%
Development graves	50 000	-	50 000	-	-	50 000	100%
Excess damages vehicle	20 000	-	20 000	-	-	20 000	100%
Total unappropriated expenditure	2 015 900	-	2 015 900	-	-	2 015 900	

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2023**

Comments on variances between budget and actual amounts – 2023

Erven Sales

The variance of 111% is as a result of an unanticipated disposal of land in Karibib camps including unserviced land.

Rental revenue

The budgeted estimate of revenue collection from rentals was inaccurate.

Government and other department transfers

The variance of 46% below budgeted amounts was as a result of less funding from government.

General and administrative expenses

General expenses with a variance of 33% below budgeted amounts was due to wrong budget forecasts.

Repairs and maintenance

The 36% below budget variance was due to the allocation of Roda Fund Authority transfers to capital projects.

Depreciation

The 100% variance was due to non-budgeting of notional expenditure, namely depreciation.

Amortisation

The 100% variance was due to non-budgeting of non-cash expenditure.

Employee provisions

Comprising leave provision, bonus provision, and severance pay provision, the Town Council budgeted leave provision only.

Finance costs

A variance of 65% is due to an in-accurate forecast.

Allowance for doubtful debts

A variance of 22% above budget was due to an unanticipated increase in accounts receivables as a result of a decline in payments made by customers.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2023**

1.3 Accounting policies

1.3.1 Overview

The financial statements for Karibib Town Council have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSAS). As a Public Interest Entity (PIE), Karibib Town Council's primary objective is to deliver services to the community in which it was established. Public Interest Entities (PIEs) that operate under the Local Authorities Act do not hold equity and do not operate for a financial return.

Effective July 1, 2019, Karibib Town Council adopted IPSAS as its financial reporting framework. As a first-time adopter, Karibib Town council opted for exemptions in IPSAS 33, First time adoption of accrual basis International Public Sector Accounting Standards, exemptions that affect fair presentation and compliance with accrual basis IPSASs. With this option, Karibib Town council did not make an explicit and unreserved statement of compliance with accrual basis IPSAS. As of 30 June 2022, the exemptions that provided Karibib Town council with relief expired.

As at the expiry of the transitional exemptions, Karibib Town council has fully recognized, measured, presented and/or disclosed all relevant financial statements items in accordance with applicable IPSAS. All relevant accounting policies used to report financial information have been incorporated in these financial statements. Any changes to accounting policies used to report financial information in the current financial year have been retrospectively applied to the prior financial year.

1.3.2 Basis of preparation

These financial statements have been prepared on the basis of historical cost and accrual accounting, unless otherwise specified (for example in the case of the statement of cash flows).

1.3.3 Inflationary adjustments

No adjustments have been made for the effects of inflation on the financial position or results of operations of the local authority.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2023**

1.3.4 Reporting currency

The items included in the financial statements of Karibib Town Council are measured using the currency of the primary economic environment in which the entity operates, also known as the functional currency. The functional and presentation currency of Karibib Town Council is the Namibia dollar. This ensures consistency and comparability in the financial statements.

1.3.5 Reporting period

The reporting period for these financial statements is for the year ended June 30, 2023, with the financial year ended June 30, 2022 as the comparative.

1.3.6 Cost convention

Karibib Town Council's financial statements have been prepared under the historical cost convention. No adjustment has been made for the effects of inflation on the financial position or results of operations of the local authority. All items of Property, Plant, and Equipment have been recognised at purchase price plus transaction cost where necessary except land where the determination of pricing as at the adoption of IPSAS was Council determined.

1.3.7 Presentation currency and rounding

The financial statements are presented in Namibia dollar which is the Town Council's presentation and functional currency, and all values, including Councilors' remuneration disclosures in note 24 are rounded off to the nearest dollar.

1.3.8 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in accordance with accrual basis IPSAS requires Karibib Town Council management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Given that uncertainty is inherent in the use of estimates and assumptions, actual results may differ significantly from management estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Examples of estimates include useful lives of tangible and intangible assets; inventory valuation; collectability of receivables; provisions and adjustments of advances of cash assistance; and contingencies.

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Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and which could have a significant risk of resulting in a material adjustment shall include the following, but not limited to;

- Contingencies: legal proceedings covering a wide range of matters which are or may be pending or threatened against Karibib Town Council.
- Provisions: are recorded for pending matters when it is determined that an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Owing to the inherently uncertain nature of the matters, the ultimate outcome or actual cost of settlement may materially vary from estimates.

1.3.9 Change in accounting policy

IPSAS 3, allows a change in accounting policy where such a change;

- Is required by an IPSAS; and,
- Results in the financial statements providing faithfully representative and more relevant information about effects of transactions, other events, and conditions on the entity's financial position, financial performance, and cash flows.

Where there has been a change in accounting policy, Karibib Town council shall apply such changes retrospectively as if the accounting policy had always been applied for the comparative period unless impracticable.

Where there is a change in an accounting estimate, Karibib Town council shall apply such changes prospectively by including changes in surplus or deficit:

- The period of the change if the changes affect the period only; or
- The period of the change and future periods, if the change affects both.

Correction of material errors in the preparation of financial statements of one or more periods are corrected retrospectively by restating comparative period amounts.

Where IPSAS does not provide guidance as to whether a change is a change in accounting policy or a change in accounting estimate, the change shall be considered to be a change in accounting estimate.

The following are not changes in accounting policy:

- The application of an accounting policy for transactions, other events, or conditions that differ in substance from those previously occurring.
- The application of a new accounting policy for transactions, other events, or conditions that did not occur previously or that were immaterial.

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- Improvements in the existing accounting policy to ensure a true and fair view of the financial statements of Karibib Town council.

1.4.0 Significant changes

1.4.1 New developments and interpretations in financial reporting

There have been significant changes to the reporting of intangible assets following a request to address how a customer should account for costs (as capital or revenue expenditure) in software as a service arrangement (SaaS). Karibib Town council is in an arrangement with the provider of the accounting system and the costs associated with the initial installation and set-up of the accounting software were not recognised as capital expenditure as at the adoption of IPSAS in the year commencing 01 July 2019.

1.4.2 Full IPSAS Implementation

Changes coming in the form of full application of all IPSASs relevant to transactions and events arising in the ordinary course of operations at Karibib Town council have taken 3 years which began with the transitional period.

For the transitional period, IPSAS 33, First time adoption of accrual basis International Public Sector Accounting Standards (IPSAS) was applicable. Provisions of IPSAS 33, First time adoption of accrual basis IPSAS outlining requirements for exemptions that affect fair presentation are no longer applicable to transactions and events beginning 01 July 2022.

Further enhancements come thorough the inclusion of the Recommended practice guidance 2, whose objective is to assist users of Karibib Town council General purpose financial reports understand the financial position, financial performance, and cash flow thorough a financial statements' discussion and analysis commentary.

1.4.3 Standards issued and effective

The International Public Sector Accounting Standards Board (IPSASB) has issued International Public Sector Accounting Standard: -

IPSAS 44, Non-current assets held for sale and discontinued operations.

IPSAS 44 Specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations.

It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease; And be presented separately in the statement of financial

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position, and the results of discontinued operations to be presented separately in the statement of financial performance.

1.4.4 Revised standards

IPSAS 22, Disclosure of Financial Information about the general government sector

IPSAS 39, Employee Benefits

IPSAS 29, Financial Instruments: Recognition and Measurements (as applicable prior to the adoption of IPSAS 41)

1.4.5 Standards issued and not yet effective.

Following the release of the final pronouncement, *Covid-19: Deferral of Effective Dates*, which delays the effective dates of recently published standards and Amendments to IPSAS by one year to January 1, 2023, stakeholders have been provided with additional implementation time.

The following standards were issued but not effective;

- a) IPSAS 41, Financial Instruments; and,
- b) IPSAS 42, Social Benefits.

While amendments to the IPSASs below were also deferred to January 1, 2023;

- a) Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36)
- b) Prepayment Features with Negative Compensation (Amendments to IPSAS 41)
- c) Collective and Individual Services (Amendments to IPSAS 19); and
- d) Improvements to IPSAS, 2019

1.4.6 IPSASs not adopted by Karibib Town Council

International Public Sector Accounting Standards listed below have not yet been adopted for the purposes of reporting financial information for the year ended June 30 2022, and June 30, 2021 (comparative). Management shall apply any of the IPSAS where the Town Council's future transactions render it necessary to apply the provisions of the respective IPSAS;

IPSAS 4, The effects of changes in foreign exchange rates

IPSAS 5, Borrowing costs

IPSAS 10, Financial reporting in hyperinflationary times

IPSAS 11, Construction contracts

IPSAS 16, Investment property

IPSAS 26, Impairment of cash-generating assets

IPSAS 34, Separate financial statements

IPSAS 35, Consolidated financial statements

IPSAS 36, Investment in associates and joint ventures

IPSAS 37, Joint arrangements

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IPSAS 38, Disclosure of interest in other entities

IPSAS 40, Public sector combinations

1.4.7 Karibib Town Council accounting policies

A summary of significant accounting policies which have been applied in the preparation of these annual financial statements are disclosed below.

1.5 IPSAS 1, Presentation of financial statements

This standard prescribes the manner in which general-purpose financial statements of the Council should be presented to ensure comparability with previous financial periods and sets out guidance for the structure of and minimum requirements for financial statements prepared under the accrual basis of accounting.

The Town Council's annual financial statements, prepared in accordance with IPSAS, include:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets;
- Statement of Cash Flows;
- A Statement of Comparison of Budget and Actual Amounts, on the basis of the budget; and,
- Notes to the Financial Statements, comprising a summary of significant accounting policies and other explanatory notes.

1.5.1 Town Council disclosures

Disclosures follow the prescribed IPSAS 1, presentation of financial statements model. Additional line items, sub-headings are added where necessary. Other disclosures required should include the judgements that management made in the process of applying accounting policies.

1.5.2 IPSAS 2, Statement of cash flows

The Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

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1.5.3 Town Council disclosures

The statement of cash flow shall report cash flows from three categories namely;

- operating activities,
- investing activities; and,
- financing activities.

The statement of cash flow shall be prepared using the direct method. The net surplus or deficit of the Town Council shall be adjusted for the effects of non-cash transactions in a reconciliation forming part of explanatory notes to the financial statements.

1.5.4 IPSAS 14, Events after the reporting date

This standard outline when the Town Council should adjust its financial statements for events that occur after the reporting date, and the disclosures that the council should make about the date when the financial statements were authorized for issue, and about events that occur after the reporting period. The standard also states that the Town Council should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate. This means that if those responsible for preparing the financial statements or the governing body determine after the reporting date that there is no realistic alternative but to do so, financial statements should not be prepared on a going concern basis.

1.5.5 Town Council disclosures

The Town Council must disclose the following for each material category of non-adjusting event after the reporting date:

- (a) the nature of the event, and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

Other disclosures should include the date when financial statements were authorized for issue, and the name and identity of the person giving that authorization. The Auditor General has the power to direct the amendment of financial statements in terms of statutory audits.

1.5.6 Recognition and Measurement

Between the reporting date and the date of authorization for issue, pronouncements from local government may affect how Karibib Town Council reports events and transactions in its general-purpose financial reports. Whether or not these pronouncements should be recognized as adjusting events would depend on

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whether they provide more information about the conditions existing at the reporting date and whether there is sufficient evidence that they can and will be fulfilled.

In most cases, the announcement of central government intentions will not lead to the recognition of adjusting events, instead they would generally qualify for disclosure as non-adjusting events.

1.5.7 IPSAS 20, Related party disclosures

The objective of this standard is to set the disclosure requirements for transactions between the Town Council and its related parties in certain circumstances. The relationships between related parties should be disclosed in the notes to the financial statements. Transactions that occur within a normal supplier-recipient relationship and on arm's-length terms should also be disclosed.

1.5.8 Town Council disclosures

The Town Council must disclose related party transactions and management remuneration, including an analysis of the different types of remuneration. With respect to related parties, the Town Council should disclose the nature of the related party relationship and the types of transactions that have occurred.

1.5.9 IPSAS 21, Impairment of non-cash generating assets.

This standard outlines the procedures that the Town Council applies to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognized. It also specifies when an impairment loss can be reversed and prescribes disclosures.

1.5.10 Town Council disclosures

The Town Council must disclose the amount of impairment loss recognized in surplus or deficit during the period, and the amount of reversal of impairment loss recognized in surplus or deficit.

1.5.11 Recognition and Measurement

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

The standard requires the Town Council to make a formal estimate of the recoverable service amount only if there is an indication of a potential impairment loss. An impairment loss must be recognized immediately in surplus or deficit.

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When the estimated impairment loss is greater than the carrying amount of the asset, the carrying amount of the asset must be reduced to zero, with a corresponding amount recognized in surplus or deficit.

A liability may be recognized only if another IPSAS requires it. After recognizing an impairment loss, the depreciation (amortization) charge for the asset must be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.5.12 IPSAS 24, Presentation of budget information in financial statements

This standard requires that a comparison of budget amounts and actual amounts arising from the execution of the budget be included in the financial statements of the Town Council. This is because the Town Council is required to make its approved budget publicly available and is held accountable for it.

1.5.13 Town Council disclosures

The Town Council shall disclose a reconciliation between actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts. The Town Council shall disclose the budgetary basis and classification basis adopted in the approved budget and the financial period of the approved budget. Explanations of variances between the final budget and actual amounts as presented in the comparison shall be disclosed in the notes to the financial statements.

1.6 IPSAS 9, Revenue from exchange transactions

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

An exchange transaction is one in which the Town Council receives assets or services or has liabilities extinguished, and directly gives approximately equal value to the other part in exchange.

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

Recognition

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the Town Council shall recognise revenue 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.

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- It is probable that future economic benefits or service potential associated with the transaction will flow to the entity.
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be estimated reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant, than any other acts, the recognition of revenue is postponed until after the execution of that significant act.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Sale of goods

Revenue from the sale of goods is recognized when all of the conditions are satisfied:

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Service charges such as solid waste, sanitation, sewerage, and water are based on approved tariffs and consumption. Revenue is recognized in the period when the service is provided or consumed. Provisional estimates may be used when meter readings are not performed but these estimates are adjusted in the invoicing period when meters have been read. In the case of prepayment, services are recognized at point of sale and any unutilized portion is adjusted at the end of the year based on average consumption history.

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Revenue from sale of land

Revenue from sale of land shall be recognised when and only when, the following conditions are met:

- The amount of revenue can be measured reliably;
- It is probable that economic benefits or service potential associated with the transaction will flow to the Town Council;
- Ministerial approval is granted to the purchaser to purchase a serviced plot.
- Council approval to purchase a plot is granted by the Council; and,
- The purchaser pays the full amount of the purchase price inclusive of conveyancer, and administration fees.

Conveyancer fees shall not be accounted for as revenue. Upon receipt, the Town Council remits conveyancer fees to a conveyancer for the purposes of transferring title to the purchaser by way of a deed of title. Where conveyancer fee is held by the Town Council, it shall be accounted for as a liability in the statement of financial position.

Upon the revenue criteria set out above being met, Karibib Town Council shall derecognise all purchased plots from inventory of serviced plots every financial year. Karibib Town Council shall levy rates and taxes on derecognised plots in line with the requirements and provisions of the Local Authorities Act Section 73.

1.6.1 IPSAS 23, Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Town council, which represents an increase in net assets/equity, other than increases relating to contributions from owners. Amounts collected by the Council as an agent of the government or other third parties do not meet the definition of revenue. Control of an asset arises when the Town Council can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or regulate the access of others to that benefit.

Non-exchange transactions are transactions where the Town council receives resources and provides no or nominal consideration directly in return. In a non-exchange transaction, the Town Council receives value from another party without directly giving approximately equal value in exchange.

Where the Town council provides some consideration directly in return for the resources received, but, that consideration does not directly approximate the fair value of resources received, the Town council determines whether there is a combination of exchange and non-exchange transactions each component of which is recognised separately.

There are additional transactions where it is not immediately clear whether they are exchange or non-exchange transactions. In determining whether the substance of a transaction is that of a non-exchange or an exchange transaction, professional judgement is exercised.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be

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consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Assets may be transferred with an expectation and/or understanding that they will be used in a particular way and, therefore, that the Town council will act in a particular way. Where laws, regulations, or binding arrangements with external parties impose terms on the use of transferred assets by the Town council, these terms are stipulations.

Restrictions on transferred assets are stipulations that limit or direct the purpose for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Conditions on transferred assets require that the Town council either consume future economic benefits or service potential of the assets as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the Town council incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition.

If past experience with the transferor indicates that the transferor never enforces the requirement to return the transferred asset or other future economic benefits or service potential when breaches have occurred, then the Town council concludes that the stipulation has the form but not the substance of a condition, and is, therefore, a restriction.

Taxes such as property rates (assessment rates) are economic benefits or service potential compulsorily paid to the Town Council in accordance with laws and/or regulations. Taxes do not include fines or penalties imposed as a result of breaches of the law. Transfers are future economic benefits or service potential from non-exchange transactions other than taxes.

Recognition

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

As the Town council 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 shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

The Town council recognises revenue from conditional grants and donations to the extent that the Town council fulfills the terms and conditions stipulated in the agreement. If the terms and conditions have not been met, a liability shall be recognized.

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The Town Council recognizes revenue in relation to debt forgiveness when the debt in question no longer meets the criteria for classification as a liability.

Bequests that meet the definition of an asset shall be recognized as assets and revenue when it is likely that future economic benefits or service potential will accrue to the Town council, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in kind, that meet the definition of an asset shall be recognized as assets and revenue when it is likely that future economic benefits or service potential will accrue to the Town council and the fair value of the assets can be measured reliably.

Fines are economic benefits or service potential received or receivable by the Town council, from an individual or from another entity as determined by a court in Namibia, or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations. Assets resulting from fines shall be measured at the best estimate of the inflow of resources to the Town Council.

The Town Council recognises revenue from fees, and fines when the event occurs, and the asset recognition criteria is met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue.

Other non-exchange revenue is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Measurement

Revenue from non-exchange transactions shall be measured at the amount of an increase in net assets recognised by the Town council. When as a result of a non-exchange transaction, the Town council recognises an asset, the Town council also recognises revenue equivalent to the amount of the asset unless the Town council is required to recognise a liability. When the liability is subsequently reduced, because the taxable event occurs, or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.7 IPSAS 17, 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 expected to be used for more than one period.

The cost of an item of property, plant and equipment shall comprise:

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- The purchase price, including import duties, and non-refundable purchase taxes after deducting trade discounts and rebates.
- Any cost that is directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of PPE is acquired in an exchange transaction, its cost is the fair value at the date of acquisition.

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

With respect to land, if the land was acquired in a non-exchange transaction and the price is not determinable, its deemed cost on initial recognition is the gazetted price.

Property, Plant, and equipment are recognized as assets when it is probable that future economic benefits or service potential will flow to the Town Council and the cost of the item can be measured reliably.

When significant components of an item of property, Plant, and equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant, and equipment.

The cost of an item of Property, Plant, and equipment includes costs incurred initially to acquire or construct an item of PPE and costs subsequently incurred to add to, and/or to replace part of the item of PPE. If a replacement cost is recognised in the carrying amount of an item of PPE, the carrying amount of the replaced item of PPE is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site in which it is located is also included in the cost of PPE where the Town Council has an obligation to incur such an expenditure, and the obligation arises as a result of acquiring the asset or using it for the purposes other than the production of inventories.

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 operated in the manner intended by management. Major spare parts and standby equipment which are expected to be used for more than one period are included in PPE.

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Major inspection costs which are a condition of continuing use of an item of Property, Plant, and equipment and which meet the recognition criteria above are included as a replacement in the cost of item of Property, Plant, and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant, and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated. Property, Plant, and equipment items are depreciated using the straight-line depreciation method over the item's useful life.

Each part of any item of Property, Plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the statement of surplus or deficit unless if it is included in the cost of another asset.

Items of Property, Plant, and equipment shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit.

Minor assets below NAD\$1,000 are not depreciated. They are expensed in the year of acquisition.

Assets that are fully depreciated and are no longer used in the production of goods and/or services are held at a dollar value in the asset register for the purposes of completeness and monitoring pending disposal. Items of Property, Plant, and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the derecognition of an item of Property, Plant, and equipment are recognised in the statement of surplus or deficit as other income. The gain or loss arising from the derecognition of an item of Property, Plant, and equipment is determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item.

Land

Unserviced land is accounted for using IPSAS 17, property, plant, and equipment. Land held for future servicing and allocation to purchasers in an exchange or non-exchange transaction for the purposes of residential, business, institutional, agricultural, private open space, industrial (both light and heavy), or other uses authorized by Karibib Town Council is accounted for as property, plant and equipment. Such land does not qualify as investment property, in line with IPSAS 16, Investment property, paragraph 14. Karibib Town Council uses a service delivery model and holds such land for service delivery objectives.

Serviced land allocated to Public open space(s), the construction of roads network (including streets), water reticulation, sewer reticulation, Electrical reticulation, and other uses spanning more than one operational cycle is accounted for as property,

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plant, and equipment. Where serviced land is held for the purposes of reselling for example residential erven, business erven, institutional, and/or industrial (both light and heavy), such land is accounted for as property, plant, and equipment to the extent that such serviced land is not disposable within 12 months from the reporting date.

All serviced land held for sale within 12 months from the reporting date is accounted for under IPSAS 12, Inventories or other relevant IPSAS.

Unserviced, and serviced land shall be measured at the gazetted price as at the adoption and implementation of IPSAS or any other approved valuation method by the Town Council.

All items qualifying as property, plant and equipment are recorded in a register of assets where depreciation is calculated on an annual basis, or for a proportionate period falling within a specific financial year as provided for in the depreciation policy below.

Depreciation policy

On the register of assets, Karibib Town Council classifies items of property, plant and, equipment under:

- Land
- Buildings
- Plant, equipment and machinery
- Computers and office equipment
- Furniture, fixtures, and fittings

For each and every item of property, plant, and equipment belonging to classes set out above, Karibib allocates a depreciable amount of each and every item over its useful life.

No residual value is allocated to items of property, plant and equipment as they are used in the production of goods and services until their service potential becomes insignificant in value.

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

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ANNEXURE E

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TYPE OF ASSET	DEPRECIATION METHOD	(AVERAGE) USEFUL LIFE
Buildings	Straight line	(10 - 50)
Furniture and Fittings	Straight line	(5 – 15)
Computer & Office Equipment	Straight line	(3 - 10)
Plant and Machinery	Straight line	(5 - 25)
Motor Vehicles	Straight line	(5 - 15)
Infrastructure	Straight line	(10 - 50)

Depreciation charge for the year is recognised in surplus or deficit unless it includes the carrying amount of another asset. Karibib Town council depreciates items of property, plant, and equipment when they are available for use i.e., when the item of property, plant, and equipment is deployed for uses intended by management. There shall be a contra account for an item of property, plant, and equipment for the purposes of accumulation of depreciation over an item's useful life.

Future service potential of an item of property, plant, and equipment is consumed through use of an item. If an item of property, plant, and equipment lies idle through disuse, Karibib Town council calculates depreciation for 2 years from the end of the reporting date in which the item became idle through disuse, after which depreciation shall cease and the asset is assessed for impairment.

An item of property, plant, and equipment which suffers technical obsolescence is assessed using the factors for idle items of property, plant, and equipment above.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The remainder of the item is depreciated separately whether they are significant or insignificant.

The Town council attaches useful life to items of property, plant and equipment using management judgement based on:

- The expected usage of the item.
- Expected physical wear and tear which is dependent on operational factors.
- Legal or other similar rights on the usage of the item; and,
- Any other factors which may have a bearing on the item's condition, existence, and exposure.

The useful life of items of property, plant, and equipment shall approximate the item's economic life. An assessment of useful life is performed at the end of every financial year. Items of property, plant, and equipment with an embodiment of

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

future economic benefits or service potential in excess of the remaining useful life where useful life is equal to or less than 2 financial years are considered for a new useful life. New useful life is based on management judgement based on experience of the Town council with similar assets. Land is not depreciated unless the cost of the land includes the cost of dismantlement, and restoration of the sight. The Town council shall apply the straight- line method to all its items of property, plant and equipment. Any change in the depreciation model is accounted for as a change in accounting policy in line with a relevant IPSAS.

1.8 IPSAS 12, Inventories

Inventories are initially measured at cost, except when they are acquired through a non -exchange transaction, in which case they are measured at their fair value at the date of acquisition. As at the date of acquisition, the fair is used to measure the cost of inventories.

Subsequently, inventories are measured at the lower of cost and net realizable value. Net realizable 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.

The cost of inventories includes all costs of purchase, conversion costs and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories shall be determined using the first -in, first- out (FIFO) method. The same method is used for all inventories of a similar nature and use to the Town Council.

When inventories are sold or used, the carrying amounts of those inventories are recognized as expenses in the period in which the related revenue is recognized. If there is no related revenue, the expenses are recognized when the goods are distributed, or services are rendered.

The amount of any write-down of inventories to net realizable value and all losses on inventories are recognized 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 realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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Serviced erven

Serviced erven qualifying under this standard is accounted for as inventory of serviced plots. When plots are serviced, such plots are recognised under this standard to the extent that, the plots were not disposed as at the reporting date after having been available for sale from the date when servicing was confirmed to be complete by management.

In the absence of cost, and net realizable value as required under IPSAS 12, Inventories, serviced plots shall be measured at the lowest gazetted price for that specific financial year irrespective of the location, area, or zoning. Work in progress shall not be accounted for under IPSAS 12, Inventories.

1.9 IPSAS 19, Provisions and contingencies

Provisions are recognised when;

- ✓ The Town Council has a present obligation as a result of past events.
- ✓ It is likely that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.
- ✓ A reliable estimate of the obligation can be made.

The amount of the provision is the best estimate of the expenditure expected to be required to settle the obligation at the reporting date.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle the provision is reimbursed by another party, the reimbursement is recognized only when it is virtually certain that the reimbursement will be received and is treated as a separate asset. The amount recognized for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer likely that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Provisions are used only for the expenditures for which the provision was initially recognized and are not recognized for future operating deficits.

If the Town Council has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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1.10 IPSAS 39, Employee benefits

Employee benefits refer to all forms of compensation given by Karibib Town Council in exchange for services rendered by employees. The four categories of employee benefits are:

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months from the end of the year in which the employee rendered the services. Examples within Karibib Town Council include:

- wages and salaries,
- fixed and variable allowances,
- social security contributions,
- short term compensated absences (such as paid annual leave and paid sick leave), and
- variable short-term remuneration.

When an employee has rendered services to the Town council during a reporting period, the Town council recognises an undiscounted amount of short-term employee benefits expected to be paid for that service as:

- A liability net of any payments already made. If any payment made already exceeds the undiscounted amount of the benefits, the Town council recognises the excess as an asset.
- An expense unless another standard requires or permits the inclusion of the benefits in the cost of another asset.

The costs of these employee benefits are recognized in the statement of surplus or deficit when the service is rendered or the rights to benefits are accrued.

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

Post-employment benefits

These are employee benefits that become payable after the completion of employment. Examples include pensions and job-related early retirements. Karibib Town Council's pension plan is administered by the Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN).

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate Local Authorities fund and will have no legal or constructive obligation to pay further contributions if the fund

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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 Town council during a reporting period, the Town council recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the Town council 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.

Termination benefits

Termination benefits are employee benefits payable as a result of either:

- The Town council's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

The costs are recognized in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognized at the present value of the obligation.

1.11 Financial instruments

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

Financial assets and financial liabilities are recognised when the Town council becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

A concessionary loan is a loan granted to or received by the Town council on terms that are not market related. 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.

A financial asset is:

- cash;
- an equity instrument of another entity;
- or a contractual right to:

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the Town council 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.

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

- deliver cash;
- a financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Town council.

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 the Town council 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.

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

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 Town council had not acquired, issued or disposed of the financial instrument.

Classification and initial measurement

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments. Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Town council's cash and cash equivalents, accounts receivables and other receivables fall into this category of financial instruments.

The Town council has the following financial assets:

Cash and cash equivalents amortised cost	Financial asset measured at
Receivables from non-exchange transactions amortised cost	Financial asset measured at
Receivables from exchange transactions amortised cost	Financial asset measured at
Value added tax receivable amortised cost	Financial asset measured at
Long term receivables amortised cost	Financial asset measured at
Non-current investments fair value	Financial asset measured at

The Town council has the following financial liabilities:

Borrowings at amortised cost	Financial liability measured
Payables from exchange transactions at amortised cost	Financial liability measured
Payables from non-exchange transactions measured at amortised cost	Financial liability
Unspent conditional grants at amortised cost	Financial liability measured
Accrued leave pay measured at amortised cost	Financial liability
Accrued bonus pay measured at amortised cost	Financial liability
Payments received in advance at amortised cost	Financial liability measured
Consumer deposits at fair value	Financial liability measured
Unknown deposits at fair value	Financial liability measured

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

If fair value can no longer be measured reliably for a financial asset, the Town council 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 a financial asset for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the Town council reclassifies the instrument from cost to fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Impairment and uncollectability of a financial asset

The Town council assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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 where necessary. 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 surplus or deficit.

Presentation, and disclosures

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

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

A financial asset and a financial liability are only offset, and the net amount presented in the statement of financial position when the Town council 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.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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In accounting for a transfer of a financial asset that does not qualify for derecognition, the Town Council does not offset the transferred asset and the associated liability.

As a prudent precaution on accounts receivables, management shall make an allowance for doubtful accounts for all accounts 120 days past due.

Disclosures

- Accounts receivables are reported in the financial statements net of customer advance payments.
- Accounts receivables shall be presented on the face of the statement of financial position net of allowance for doubtful accounts.
- Derecognition of financial assets when the Town Council is no longer part to the contractual provisions of the financial instrument(s)
- Breaches of terms of agreement giving rise to accounts receivables.
- Offsetting of financial assets and liabilities
- Allowance for doubtful accounts as an expense/income in the statement of surplus or deficit.

1.12 IPSAS 31, Intangibles

This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. This standard further specifies how to measure the carrying amount of intangible assets and requires specific disclosures about intangible assets.

Town Council disclosures

The Town Council shall disclose useful lives, amortisation methods, gross carrying amount, and any accumulated amortisation at the beginning and end of the period, line items of the statement of surplus or deficit in which amortisation of intangible assets is included, and a reconciliation of the carrying amount at the beginning and end of the period. The Town Council shall further disclose a movement table showing changes in carrying amount and accumulated amortisation and details about impairment of intangible assets if any in the notes to the financial statements.

Recognition and Measurement

Intangible assets shall be recognised if and only if the Town council demonstrates that the item meets the definition of an intangible asset and the item meets the recognition criteria.

An intangible asset shall be recognized if, and only if it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

**KARIBIB TOWN COUNCIL
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An intangible asset shall be measured initially at cost. Where an intangible asset is acquired through a nonexchange transaction, its initial cost at the date of acquisition, shall be measured at its fair value as at that date.

Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset are not included in the carrying amount of that asset.

1.13 Expenses recognition

Under IPSAS, the accounting treatment of expenses and expense recognition is not specifically prescribed by a standard. Rather, it arises from the fundamental principle of accrual basis accounting. In accordance with IPSAS 1, Presentation of Financial Statements, expenses are recognized when the transaction or event that incurs the expenses takes place, under the accrual basis of accounting. To provide useful information to the users of the financial statements, expenses are analyzed by nature in the statement of surplus or deficit.

1.13.1 Other Operating Revenue

Other operating revenue arises from exchange transactions in the ordinary course of Karibib Town Council's activities. It comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the council's activities. The revenue is shown net of tax, returns, rebates, and discounts.

1.13.2 Unauthorised expenditure

Unauthorised expenditure means:

- ✓ Exceeding the budget for a specific vote or budget category;
- ✓ Incurring expenditure that is not in line with the intended purpose of a specific vote or budget category.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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1.13.3 Fruitless and wasteful expenditure

Fruitless expenditure refers to any expenditure that would have been avoided if reasonable care had been exercised. All fruitless and unauthorised expenditures shall be recognized in the statement of surplus or deficit for the year in which they are incurred. These expenditures shall be classified according to their nature, and if recovered, they shall subsequently be recognized as revenue in the statement of surplus or deficit.

1.13.4 Cash and cash equivalents

Cash and cash equivalents include all cash balances, deposits held at call at financial institutions, and short term highly liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and are reported under accounts receivables. Bank overdrafts, which are short-term borrowings, are included in the short-term payables section of the financial statements. This ensures that the financial statements accurately reflect the liquidity position of Karibib Town Council.

Town Council disclosures

Cash and cash equivalents shall be classified either as restricted cash and cash equivalents or as unrestricted cash and cash equivalents. Restrictions shall be internal (by Karibib Town Council) or shall be external (from government and its departments or ministries).

1.13.5 Customer advance payments

Advance payments from customers are accounted for as a liability until an exchange of equal value is provided by the Town Council in return. Such payments commonly appear as credits on the accounts receivables age analysis at the end of every financial year.

Advance payments from customers are accounted for as a liability until an exchange of equal value is provided by the Town Council in return. Such payments commonly appear as credits on the accounts receivables age analysis at the end of every financial year.

Karibib Town Council discloses all advance payments as a line item on the statement of financial position. Advance payments revert back to revenue at the beginning of the following financial year as the Town Council continues to render goods, and services. Due to the timing of the reversion which occurs instantly on 30 June midnight cut-off, no adjustment for advance payments is made to the accounts receivables age analysis.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2023**

1.13.6 Funds and Accounts

The Build together fund balance is either;

- a) Non-spendable (not in spendable form)
- b) Restricted (restricted for particular purposes)
- c) Committed (committed to particular purposes)
- d) Assigned (assigned for particular purposes)

1.13.7 Management of capital

Karibib Town Council views its equity as the sole form of capital, which serves the purpose of funding the Council's core service capabilities and specialized long-life assets indefinitely. Unlike traditional measures of capital efficiency that focus on generating returns on equity, the council assesses its efficiency based on service delivery and its ability to provide specialized services effectively. The primary goal is to ensure the continuous provision of essential services to the community and maintain the functionality of long-term assets, rather than seeking financial returns on its equity.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2023**

2. Property, Plant and Equipment

	2023			2022		
	Cost N\$	Accumulated Depreciation N\$	Carrying Amount N\$	Cost N\$	Accumulated Depreciation N\$	Carrying Amount N\$
Land	1 527 309 752	-	1 527 309 752	1 527 917 930	-	1 527 917 930
Buildings	8 705 531	(2 019 397)	6 686 134	8 660 771	(1 731 828)	6 928 943
Computers & office equipment	479 141	(186 101)	293 040	366 612	(140 107)	226 504
Furniture and fixtures	399 402	(231 969)	167 433	393 362	(203 081)	190 281
Infrastructure	70 312 723	(9 089 620)	61 223 103	68 103 448	(7 719 876)	60 383 572
Motor vehicles	1 587 899	(852 169)	735 730	1 587 899	(723 933)	863 966
Plant and machinery	11 926 760	(4 442 390)	7 484 370	11 512 776	(3 802 882)	7 709 894
Work in progress	4 669 972	-	4 669 972	1 231 241	-	1 231 241
Total	1 625 391 179	(16 821 646)	1 608 569 533	1 619 774 039	(14 321 707)	1 605 452 332

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2023**

ANNEXURE E

2. Property, Plant and Equipment Reconciliation - 2023

	Work in progress	Land	Buildings	Comps & office equip	Fur & fixtures	Infra structure	Motor vehicles	Plant & machinery	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance									
01 July 2022	1 231 241	1 527 917 930	6 928 943	226 504	190 281	60 383 572	863 966	7 709 894	1 605 452 332
Additions	3 438 730	51 822	44 760	112 529	6 040	2 209 275	-	413 984	6 277 140
Disposals	-	(660 000)	-	-	-	-	-	-	(660 000)
Subtotal	3 438 730	(608 178	44 760	112 529	6 040	2 209 275	-	413 984	5 617 140
Total	4 669 972	1 527 309 752	6 973 703	339 034	196 321	62 592 847	863 966	8 123 878	1 611 069 472
Depreciation	-	-	(287 569)	(45 994)	(28 888)	(1 369 744)	(128 236)	(639 508)	(2 499 939)
Impairment	-	-	-	-	-	-	-	-	-
Subtotal	-	-	(287 569)	(45 994)	(28 888)	(1 369 744)	(128 236)	(639 508)	(2 499 939)
Closing balance									
30 June 2023	4 669 972	1 527 309 752	6 686 134	293 040	167 433	61 223 103	735 730	7 484 370	1 608 569 533

Disposals relate to 150 000 square meters of virgin land. All disposals are derecognized from Karibib Town Council land at the value at which the disposed land was initially recognized (N\$ 4.40) as approved by the Karibib Town Council governing board.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2023**

Land reconciliation

	Hectares Ha	Conversion Sqm	Size Sqm	Price / Sqm N\$	Value N\$
Karibib Town Council at proclamation	11 563	10 000	115 630 000		
Serviced land as per urban zones	131 898	(10 000)	(13 189 839)		
Serviced and occupied by the solar field	15	(10 000)	(150 000)		
Total unserviced land			102 290 161	4.40	450 076 707
Disposal of unserviced land	15	(10 000)	(150 000)	4.40	(660 000)
Closing balance of unserviced land					449 416 707

Karibib Town Council Property, Plant, and Equipment comprise items held for use in the production of goods and services for more than one financial year. As at the reporting date, all items of Property, Plant, and Equipment were held at historical cost (transaction price plus transaction cost).

Additions for the year amounted to N\$ 6 277 140 which comprise additions to PPE of N\$ 2 838 410 and additions to work in progress of N\$ 3 438 730.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2. Property, plant and equipment reconciliation - 2022

	Work in progress	Land	Buildings	Comps & office equip	Furniture & fixtures	Infra structure	Motor vehicles	Plant & machinery	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance	-	4 111 903	7 216 139	147 246	198 095	59 026 703	195 349	8 325 452	79 220 887
Addition	1 231 241	-	-	113 448	20 876	2 684 678	767 936	-	4 818 179
Disposal	-	-	-	-	-	-	-	-	-
Sub-total	1 231 241	-	-	113 448	20 876	2 684 678	767 936	-	4 818 179
Total	1 231 241	4 111 903	7 216 139	260 694	218 971	61 711 381	963 285	8 325 452	84 039 066
Transfer	-	1 523 806	-	-	-	-	-	-	-
Movement	-	027	-	-	-	-	-	-	1 523 806 027
Sub-total	-	1 523 806 027	-	-	-	-	-	-	1 523 806 027
Total	1 231 241	1 527 917 930	7 216 139	260 694	218 971	61 711 381	963 285	8 325 452	1 607 845 093
Depreciation	-	-	(287 196)	(34 189)	(28 689)	(1 327 809)	(99 319)	(615 557)	(2 392 761)
Impairment	-	-	-	-	-	-	-	-	-
Sub-total	-	-	(287 196)	(34 189)	(28 689)	(1 327 809)	(99 319)	(615 557)	(2 392 761)
Closing balance	1 231 241	1 527 917 930	6 928 943	226 504	190 281	60 383 572	863 966	7 709 894	1 605 452 332

All items of property, plant, and equipment have been recorded at historical cost, and none are held as security by creditors. As at the reporting date, none of Karibib town council assets were held for sale nor were there any discontinued operations. Insurance of N\$269 850

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

reported in the statement of surplus or deficit is a risk mitigatory cost relating to Karibib town council's items of property, plant, and equipment except land.

As at the end of the reporting period, the town council had no contractual commitments for the purchase or construction of items of property, plant, and equipment. As at the reporting date, management was not aware of any reasonably possible changes to key assumptions that would cause an item of property, plant and equipment to exceed its recoverable amount.

3. Intangible assets

	2023		2022	
	Cost	Accumulated depreciation	Carrying amount	Cost
	N\$	N\$	N\$	N\$
Electronic System	12 174	(9 029)	3 145	12 174
Website	11 215	(4 735)	6 480	11 215
Prepaid Software	139 050	(75 319)	63 731	139 050
Autocard	92 050	(17 643)	74 407	92 050
Totals	254 489	(106 726)	147 763	254 489
			(81 651)	172 838

3. Intangible assets reconciliation

	Electronic System	Website	Prepaid Software	Autocard	Total
	N\$	N\$	N\$	N\$	N\$
Opening balance - 01 July 2022	4 362	7 227	77 636	83 612	172 838
Addition	-	-	-	-	-
Disposal	-	-	-	-	-
Sub total	-	-	-	-	-
Total	4 362	7 227	77 636	83 612	172 838
Transfer	-	-	-	-	-
Movement	-	-	-	-	-
Sub total	-	-	-	-	-

KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ANNEXURE E

Total	4 362	7 227	77 636	83 612	172 838
Amortisation	(1 217)	(748)	(13 905)	(9 205)	(25 075)
Impairment	-	-	-	-	-
Sub total	(1 217)	(748)	(13 905)	(9 205)	(25 075)
Closing balance - 30 June 2022	3 145	6 480	63 731	74 407	147 763

KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. Intangible assets reconciliation - 2022

	Electronic System N\$	Website N\$	Prepaid Software N\$	Autocard N\$	Total N\$
Opening balance - 01 July 2021	5 580	7 975	91 541	-	105 096
Addition	-	-	-	92 050	92 050
Disposal	-	-	-	-	-
Sub total	-	-	-	92 050	92 050
Total	5 580	7 975	91 541	92 050	197 146
Transfer	-	-	-	-	-
Movement	-	-	-	-	-
Sub total	-	-	-	-	-
Total	5 580	7 975	91 541	92 050	197 146
Amortisation	(1 217)	(748)	(13 905)	(8 438)	(24 308)
Impairment	-	-	-	-	-
Sub total	(1 217)	(748)	(13 905)	(8 438)	(24 308)
Closing balance - 30 June 2022	4 362	7 227	77 636	83 612	172 838

Karibib Town Council intangible assets amounted to N\$ 254 489 and which remained the same as at the prior year. The intangible assets comprise an electronic system N\$ 12 174, Website N\$ 11 215, Prepaid water meter software N\$ 139 050, and AutoCAD N\$ 92 050 all held at historical cost. The Town Council amortises its intangible assets over different useful lives.

As at the reporting date, an assessment of impairment indicated that all the intangible assets were not impaired. All intangible assets to do not qualify as SaaS products.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023	2022
	N\$	N\$
4. Inventories	148 646 369	158 881 515
Inventory - Property	148 008 106	157 852 084
Stores inventory	120 263	104 431
Water meter inventory	518 000	925 000

In fulfilling the requirements of IPSAS 33, First time adoption of accrual basis International Public Sector Accounting Standards (IPSAS) paragraph 39, and 137 (a), Karibib Town Council recognised serviced land which has not yet been disposed under its inventory. Serviced land recognised under inventory excludes any other land held for other purposes other than sale.

As at the reporting date, Karibib Town Council held 2 004 064 Sqm of land in inventory with a value of N\$ 148 008 106, while 2 280 743 valued at N\$ 157 852 084 were held as at 30 June 2022.

Karibib Town Council reports inventory of serviced plots in different categories as determined by zoning. From respective zoning, disposal of serviced erven amounted to 276 679 square meters with such disposals being attributable to single residential (44 331 sqm), institutional (50 201 sqm), hospitality (19 147 sqm), Portions (13 00 sqm) and Camps (150 000 sqm).

The disposal of land in the camps zoning relates to virgin land. The zoning has been determined by the purposes to which the purchaser utilised the land. This has resulted in the zoning being determined by the purposes to which the purchaser intends to put the land. This has resulted in the use of judgement in determining the pricing of the land which was initially held at a gazetted price for virgin land.

For all land disposed during the financial year, Karibib Town Council derecognises the land from its records and statement of financial position where upon such a disposal is supported by a binding arrangement. For all the disposal during the financial year, purchasers signed a deed of sale even where full payment for the land has not been received by the Town Council.

All unpaid balances on sold erven were allocated to accounts receivables.

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**4. Inventory (Continued)
Inventory reconciliation 2023**

	Single residential Sqm	General residential Sqm	Business Sqm	Local Authority Sqm	Institutional Sqm	Hospitality Sqm	Private open space Sqm
Opening balance of serviced plots	573 587	12 716	437 598	665 163	72 068	55 260	21 274
Add newly serviced during the year	-	-	-	-	-	-	-
Repossessions	-	-	-	-	-	-	-
Total movements in	-	-	-	-	-	-	-
Sub-total	573 587	12 716	437 598	665 163	72 068	55 260	21 274
Disposals as at 30 June 2023	(44 331)	-	-	-	(50 201)	(19 147)	-
Appropriations to government	-	-	-	-	-	-	-
Donations to other parties	-	-	-	-	-	-	-
Total movements out	(44 331)	-	-	-	(50 201)	(19 147)	-
Sub-total	529 256	12 716	437 598	665 163	21 867	36 113	21 274
Reclassifications to PPE							
Infrastructure	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Total reclassifications	-	-	-	-	-	-	-
Closing balance - inventory of serviced plots	529 256	12 716	437 598	665 163	21 867	36 113	21 274
Karibib Town Council tariffs	25	115	115	25	180	115	115
Inventory value as at 30 June 2023	13 210 224	1 465 675	50 437 589	16 602 473	3 946 419	4 162 361	2 452 077
4. Inventory							

KARIBIB TOWN COUNCIL

ANNEXURE E

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Inventory reconciliation - Continued

	Light						Total
	Industrial	Industrial	Parastatal	Portions	Camps		Sqm
	Sqm	Sqm	Sqm	Sqm	Sqm		
Opening balance of serviced plots	100 000	165 028	424	27 624	150 000		2 280 743
Add newly serviced during the year	-	-	-	-	-	-	-
Donations in	-	-	-	-	-	-	-
Repossession	-	-	-	-	-	-	-
Total movements in	-	-	-	-	-	-	-
Sub-total	100 000	165 028	424	27 624	150 000		2 280 743
Disposals as at 30 June 2023	-	-	-	(13 000)	(150 000)		(276 679)
Appropriations to government	-	-	-	-	-	-	-
Donations to other parties	-	-	-	-	-	-	-
Total movements out	-	-	-	(13 000)	(150 000)		(276 679)
Sub-total	100 000	165 028	424	14 624	-		2 004 064
Reclassifications to PPE	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Total reclassifications	-	-	-	-	-	-	-
Closing balance - inventory of serviced plots	100 000	165 028	424	14 624	-		2 004 064
Karibib Town Council tariffs	226	180	180	226	-		-
Inventory value as at 30 June 2023	22 639 000	29 705 042	76 519	3 310 727	-		148 008 106

4. Inventory

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Inventory reconciliation - Continued

Inventory of serviced plots - 30 June 2022

	Single residential Sqm	General residential Sqm	Business Sqm	Local authority Sqm	Institutional Sqm	Hospitality Sqm	Private open space Sqm
Karibib Town Council	582 539	12 716	467 221	665 163	72 068	55 260	21 274
Add newly serviced during the year	-	-	-	-	-	-	-
Donations in	-	-	-	-	-	-	-
Repossessions	-	-	-	-	-	-	-
Total movements in	-	-	-	-	-	-	-
Sub-total	582 539	12 716	467 221	665 163	72 068	55 260	21 274
Disposals as at 30 June 2022	(5 614)	-	-	-	-	-	-
Appropriations to government	-	-	-	-	-	-	-
Donations to other parties	-	-	-	-	-	-	-
Total movements out	(5 614)	-	-	-	-	-	-
Sub-total	576 925	12 716	467 221	665 163	72 068	55 260	21 274
Reclassifications to PPE							
Plots occupied by Town Council buildings	(3 338)	-	(29 623)	-	-	-	-
Impairment	-	-	-	-	-	-	-
Total reclassifications	(3 338)	-	(29 623)	-	-	-	-
Closing balance - inventory	573 587	12 716	437 598	665 163	72 068	55 260	21 274
Karibib Town Council tariffs	25	115	115	25	180	115	115
Inventory value as at 30 June 2022	14 316 726	1 465 675	50 437 589	16 602 473	13 006 193	6 369 245	2 452 077

4. Inventory

Inventory reconciliation - Continued

	Light						
	Inventory of serviced plots						
	Industrial Sqm	Industrial Sqm	Parastatal Sqm	Portions Sqm	Camps Sqm	Total Sqm	

KARIBIB TOWN COUNCIL

ANNEXURE E

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Karibib Town Council	100 000	165 028	424	27 624	150 000	2 319 318
Add newly serviced during the year	-	-	-	-	-	-
Donations in	-	-	-	-	-	-
Repossession	-	-	-	-	-	-
Total movements in	-	-	-	-	-	-
Sub-total	100 000	165 028	424	27 624	150 000	2 319 318
Disposals as at 30 June 2022	-	-	-	-	-	(5 614)
Appropriations to government	-	-	-	-	-	-
Donations to other parties	-	-	-	-	-	-
Total movements out	-	-	-	-	-	(5 614)
Sub-total	100 000	165 028	424	27 624	150 000	2 313 704
Reclassifications to PPE						
Plots occupied by Town Council buildings	-	-	-	-	-	(32 961)
Impairment	-	-	-	-	-	-
Total reclassifications	-	-	-	-	-	(32 961)
Closing balance - inventory	100 000	165 028	424	27 624	150 000	2 280 743
Karibib Town Council tariffs	226	180	180	4	4	
Inventory value as at 30 June 2022	22 639 000	29 705 042	76 519	121 546	660 000	1 578 520 84

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$
5. Accounts receivables	9 625 904	6 854 634

Accounts receivables after allowance for doubtful accounts amount to N\$ 9 625 904 and N\$ 6 854 634 respectively. An allowance for doubtful accounts has been set at 120 days past due consistently from prior years.

During the financial year, there were no accounts receivables written-off as a result of the Town Council having no reasonable expectation that such accounts are recoverable. Indicators of accounts receivables that are irrecoverable includes death of the account holder.

Accounts receivables as per age analysis	56 082 874	52 112 113
Adjustments	292 715	271 162
Adjusted accounts receivables	56 375 589	52 383 275
Allowance for doubtful accounts	(46 749 685)	(45 528 641)
Adjusted accounts receivables	9 625 904	6 854 634

Accounts receivables age analysis		
Current	46 749 685	45 528 641
30 Days	1 396 615	1 156 419
60 Days	1 375 039	1 207 608
90 Days	1 541 276	1 300 808
120 Days	2 458 318	1 226 254
120 Days+	2 658 340	1 832 645
Transac	(96 399)	(140 262)
Total accounts receivables as per age analysis	56 082 874	52 112 113

Adjustments to accounts receivables	
Payments set-off against loan debtor	113 431
Prior year balances write-off	12 090
Unknown deposits	63 514
Unearned revenue	103 680
Total	292 715

Allowance for doubtful accounts		
Opening balance	45 528 641	39 951 892
Movements during the year	1 221 044	5 576 749
Closing balance	46 749 685	45 528 641

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023 N\$	2022 N\$
6. Value added tax receivable	506 047	731 949
VAT is claimed in terms of the Value Added Tax Act 10 of 2000. Karibib Town Council acts as a collection agency for NamRa.		
Opening balance	731 949	1 553 451
Input value added tax	2 877 466	2 505 968
Input value added tax - stores	61 626	45 363
Output value added tax	(1 522 350)	(1 264 103)
Sub-total	1 416 742	1 287 228
Total	2 148 692	2 840 679
Value added tax refund	(1 642 645)	(2 094 150)
Adjustments	-	(14 580)
Sub-total	(1 642 645)	(2 108 729)
Value added tax receivable	560 047	731 949

As of the reporting date, The Town Council has assessed its Value Added Tax (VAT) position, which indicates that the input VAT exceeded the output VAT by an amount of N\$ 1 416 742 and N\$ 1 287 228.

The Town Council generates revenue from various sources, including water, refuse removal, sewerage, and other services categorized under "other revenue." For these revenue streams, the standard rate of Value Added Tax (VAT) is applied in accordance with applicable tax regulations.

During the reporting periods 2023 and 2022, the Town Council received refunds of Value Added Tax (VAT) from NamRa in the following amounts N\$ 1 642 645 and N\$ 2 094 150 respectively

7. Cash and Cash equivalents

Cash held with financial institutions, which includes call accounts, meets the definition of cash and cash equivalents. The carrying amount of these cash and cash equivalents is regarded as a reasonable estimate of their fair value.

Cash and cash equivalents	8 556 701	6 300 996
Restricted cash & cash equivalents	6 706 784	5 444 810
Unrestricted cash & cash equivalents	1 849 917	856 186

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

2023	2022
N\$	N\$

The Town Council held 2 classes of cash and cash equivalents as at the reporting date. Restricted cash and cash equivalents are constraints for the use of cash equivalents for specific purposes. Unrestricted cash equivalents represent operational cash equivalents which can be committed to any purposes related to operations.

As at the reporting date, cash and cash equivalents amounted to N\$ 8 556 701 and N\$ 6 300 996 respectively.

Restricted cash and cash equivalents

Account name	Institution		
48 Hour Cash Accelerator	FNB	5 114 903	3 820 923
Build Together account	FNB	913 205	805 347
Business standard call account	FNB	678 677	818 540
Restricted cash and cash equivalents		6 706 784	5 444 810

Restriction on cash equivalents is attributable to cash held with MURD in the Business Standard Call account for which Karibib Town Council has lacks discretion on its uses. As at the reporting date, the amounts held in the Business Standard Call account amounted to N\$ 678 677 and N\$ 818 540 for the comparative period.

The second restriction on cash and cash equivalents relate to the 48 Hour Cash Accelerator account which holds funds from sales of erven. Such funds must be committed towards the servicing of land for future appropriations to Business, Institutional, Industrial and other needs as the Town Council judges fit.

As at the reporting date, funds held in the 48 Hour Accelerator account amounted to N\$ 5 114 903 and N\$ 3 820 923 as at the end of the prior financial year.

Build Together restricted cash and cash equivalents represent cash held for the Build Together scheme. Such cash and cash equivalents is utilised as a revolving fund where other beneficiaries are admitted to the scheme. New admission to the scheme is based on funds received from other paying beneficiaries in the scheme. Application to release funds to new beneficiaries lies with MURD.

As at the reporting date, Build Together held restricted cash amounting to N\$ 915 205 and N\$ 805 347 respectively.

All cash and bank qualifying as restricted is accessible within 7 days of notice to financial institutions.

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

		2023	2022
		N\$	N\$
Unrestricted cash and cash equivalents			
Account name	Institution		
Cheque account	FNB	1 226 505	334 591
Business standard call account	FNB	597 449	94 493
Tourism Fair	FNB	25 963	27 103
Unrestricted cash and cash equivalents		1 849 917	856 186

8. Prepayments

	78 902	73 444
Motor vehicle, plant and machinery licences	74 121	68 503
Build Together life cover	4 781	4 941

Motor vehicle prepayment

Opening balance	68 503	-
Motor vehicle road licenses for the year	132 282	134 103
Total road licenses	200 785	134 103
Less prepayment for the year	(74 121)	(68 503)
Motor vehicle road licenses expenses	126 664	65 600

Prepayments are balances representing payments made on motor vehicle and plant and machinery items with unexpired road licenses as at the reporting date. Service potential remaining in licenses amounted to N\$ 74 121 and N\$ 68 503 for the comparative period.

Build Together life cover

Opening balance	4 941	-
Build Together life cover billing	19 125	19 765
Total life cover	24 066	19 765
Less prepayment for the year	(4 781)	(4 941)
Allocation to insurance expense	19 285	14 824

The prepayment on Build Together life cover arose as a result of the timing of the payment which is usually in the month of October every financial year. As at the reporting date, the Build Together prepayment amounted to N\$ 4 781 and N\$ 4 941 for the comparative period.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023	2022
	N\$	N\$
9. Accounts payables: non-exchange transactions	2 924 909	2 524 749

Accounts payables from non-exchange transactions represent obligations resulting in an outflow of service potential or economic benefits without an exchange of equal value in return.

The Regional Council obligation is levied in terms of The Local Authorities Act 1992 (Act No. 23 of 1992) section 77

5% Regional Council levy

Opening balance	2 524 749	2 365 994
Movement during the year	600 161	558 754
Payments during the year	(200 000)	(400 000)
Closing balance	2 924 909	2 524 749

The 5% Regional levy amounted to N\$ 600 161 and N\$ 558 754 respectively. The levy is calculated on the rates and taxes assessed for the year.

10. Accounts payables: exchange transactions

	6 272 084	7 204 086
Government loans in arrears	5 203 925	5 137 943
Trade payables	1 056 714	1 741 590
Motor vehicle loan	-	313 108
Surveying and planning	11 445	11 445

Exchange transactions are an outflow of service potential with approximate equal value in return.

Karibib Town Council received loan assistance from the Government of Namibia during the pre-independence era. The Town Council has not been servicing the loans as initially agreed resulting in the accumulation of interest over the years.

Loans outstanding amounted to N\$ 5 203 925 and N\$ 5 137 943 respectively. Due to default on the loan covenants, the loans have classified under current liabilities though there has not been any renegotiation of the terms of the loan with the lender.

As at the reporting date, sundry creditors totalling N\$ 1 056 714 comprise an outstanding balance for bulk water supplies amounting to N\$ 818 605 and other numerous suppliers comprising N\$ 238 109. Sundry creditors all represent goods and/or services received by the Town Council as at the reporting date for which payments had not been made.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023	2022
	N\$	N\$
11. Accrued Expenses	1 504 292	772 937
Unallocated deposits	494 664	-
Consumer deposits	436 743	374 083
Deposits on ervens	208 821	149 291
Staff housing facility	167 872	108 342
Unearned revenue	103 680	-
Retention fee	92 512	141 221

Unallocated deposits

Unallocated deposits are balances credited to Karibib Town Council operational bank account in lieu of payment of services accounts. These balances are not traceable to any services accounts as there are no names of depositors or account numbers to which the deposits are to be allocated.

As at the reporting date, an amount of N\$ 494 664 was recorded as a liability pending an communication from depositors of the funds.

Consumer deposits

Opening balance	374 083	313 062
Security deposits received	63 470	61 021
Security deposits refunded	(811)	-
Closing balance	436 742	374 083

Consumer deposits comprise amounts collected by Karibib Town Council on water and other services accounts as a security against default in payment for services rendered. During the financial year ended 30 June 2023, consumer deposits amounted to N\$ 438 365 representing an increase from a prior year balance of N\$ 374 083.

Deposits on ervens

Opening balance	149 291	87 250
Movement	59 530	62 041
Closing balance	208 821	149 291

Deposits on erven are amounts paid to Karibib Town Council by prospective purchasers of residential plots in the informal settlement area. No deed of sale was signed on informal settlement purchases of erven as the area is yet to be formalized. The process of formalization started with the construction of services namely water and sewer reticulation.

Staff housing facility

Opening balance	108 342	67 714
Movements during the year	59 530	40 628
Closing balance	167 872	108 342

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

2023	2022
N\$	N\$

Karibib Town Council purportedly entered into an arrangement with a developer for the construction of 15 to 21 residential housing units in exchange for land as consideration. Due to uncertainty in clauses in the contract, the rights and obligations of the parties to the contract are more likely than not to be unenforceable.

In pursuance of the arrangement, the developer constructed 3 houses only and abandoned the agreement through non-fulfilment of the agreement at agreed dates. The Town Council obtained possession of the houses and allocated them to its employees on a flexible payment plan as was in the initial arrangement.

The balances of N\$ 167 872 (2022:N\$ 108 342) disclosed in the note above are payments made by staff to Karibib Town Council over the years from the financial year ended 30 June 2019 to date.

Unearned revenue

Unearned revenue of N\$ 103 680 comprise payments made for goods and services account holders in advance or in excess of the total billing for the financial year ended 30 June 2023. Unearned revenue has been reported as a liability pending the rendering of an exchange of equal value in return by the Town Council.

Retention fee

Retention fee for capital projects undertaken during the year amounted to N\$ 92 512 with N\$ 141 221 having been recorded for the prior year. The Town Council retains a fee pending remedying of any defects on constructed assets within a period of 12 months from date of completion of asset(s).

12. Employee provisions

Leave provision

Severance pay provision

Bonus provision

3 555 093 3 127 826

1 802 932 1 630 004

1 513 740 1 278 968

238 421 218 854

The provisions outlined in this note include three types of employee entitlements for services rendered during the financial year.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

2023	2022
N\$	N\$

Leave Provision is based on outstanding leave days accrued and is calculated based on the current year's remuneration for the services rendered to the town council. For the town council's work force, leave provision amounted to N\$ 1 802 932 in the current year, with N\$ 1 630 004 for the previous financial year.

Other forms of leave including sick, maternity, or any other approved employer leave lapse at the end of the financial year if not utilised.

Severance pay provision amounting to N\$ 1 513 740 and N\$ 1 278 968 which is a calculation of employee's one week's salary for each year in full employment multiplied by the number of years completed.

Bonus provision amounting to N\$ 238 421 (2022: N\$ 218 854) is an annual employee benefit that unwinds every year as each employee reaches their birthday anniversary.

13. Service charges

	19 731 292	17 601 655
Water sales	9 011 475	7 991 263
Refuse basic	3 335 016	2 675 418
Sewerage fees basic	3 139 306	2 904 827
Water basic charges	2 869 835	2 740 389
Prepaid water sales	955 169	1 025 982
Prepaid meter and card	292 715	161 031
Water connections	101 063	87 952
Garden refuse collection	26 713	14 793

Service charges are, revenue earning municipal services comprising water, sewerage, electricity, and refuse removal. These services are offered in terms of powers, and functions derived from the Local Authorities Act, 1992 (Act No.23 of 1992).

Revenue from water is billed on the basis of consumption or metered usage and has been recognised in these financial statements as the water was provided to consumers.

Refuse removal and sewerage services are billed on the basis of the service being provided to residents and businesses as well as institutions. All billing for charges for goods and services is based on a gazetted approved tariffs.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023	2022
	N\$	N\$
14. Sale of erven	5 263 092	378 530
Serviced land	1 850 592	378 530
Virgin land	3 412 500	-

Karibib Town Council disposed serviced land of N\$ 1 850 592 and N\$ 378 530 respectively. Serviced land comprises business erven of size 82 347 and business erven of size 44 331 while unserviced land disposal measure 150 000 square meters giving a total disposal of 276 678 square meters.

The distribution of the disposals were 4 erven in Usab extension 2, 5 erven in Usab Proper, 32 erven in Karibib Proper, 4 erven in Karibib Townlands, and 2 erven in Karibib extension 6.

Disposals were at various prices per square meter of land for both residential and business.

Karibib Town Council derecognises erven held in inventory upon signing a binding sales agreement (contract) with purchasers whereupon enforceable rights and obligations of both parties to the contract are clearly established.

15. Rental revenue	1 104 845	777 963
Rental camps	809 065	529 057
Other Rental revenue	295 780	248 906

Rental income is derived from various sources which are solely specific items of property, plant and equipment purchased or constructed for rental purposes. At Karibib, such items of property, plant and equipment comprise, council rental houses, council hall, sites, machinery, and equipment.

Rental revenue arising from the ordinary course of operations amounted to N\$ 1 104 845 with a significant amount of N\$ 809 065 coming from the rental of Karibib camps.

Rental of Karibib Town Council camps include the rental for agricultural activities by community members and the solar project to which 15 hectares are committed for a contractual period of 25 years.

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$
16. Erongo Red Surcharges		
Erongo Red Surcharges	1 174 514	1 284 563

Surcharge revenue of N\$ 1 174 514 (2022: N\$ 1 284 563) derives from an agreement between Karibib town council and Erongo Red giving the power utility the rights to electricity distribution to residents and businesses within Karibib constituency.

Units (kWh)	9 034 726	9 881 255
Charge per unit (in cents)	0.13	0.13
Surcharge revenue for the year	1 174 514	1 284 563

17. Other revenue	911 332	1 244 262
Sand	367 891	78 679
Building plan fees	156 479	165 452
Fitness certificates	97 294	178 681
Sales of water meters	83 420	294 880
Rental refuse bins	81 117	86 363
Sundry income	75 085	201 369
Administrative costs	31 005	30 481
Tender documents	5 600	35 170
Burial fees	5 185	13 283
Sewerage connection fee	4 638	0
Clearance & endowment certificates	2 935	3 926
Sewerage blockade	435	20 963
Disposal of asset income	250	135 015

Other revenue comprise gross inflow of service potential from different sources during the year. Some of the sources are non-recurrent while other exhibit a recurrent behaviour over time.

Other revenue for the year amounted to N\$ 911 332 while N\$ 1 244 262 was recorded for the prior year.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023	2022
	N\$	N\$
18. Interest revenue	1 666 725	1 424 753
Interest on overdue account	1 321 915	1 242 666
Interest on call accounts	278 927	111 232
Interest on Build Together loans	65 884	70 854

Interest revenue amounted to N\$ 1 666 725 (2022: N\$ 1 424 753).

Interest revenue for the year has been derived from three sources namely – Interest on build Together loans amounting to N\$ 65 884 derived from loans advanced to Scheme beneficiaries.

Interest on call accounts of N\$ 278 927 earned during the financial year comprise short term investments in cash held by Karibib Town Council not yet committed to other purposes.

The interest earned on overdue accounts totalling N\$ 1 321 915 and N\$ 1 242 666 represents charges for services rendered to account holders where payments on accounts have not been sufficient to bring the balance of services rendered to the current month of billing.

19. Government & other departments transfer	3 219 903	5 998 993
Government transfers - operational	1 993 718	4 793 430
Road Fund Administration Subsidy	1 061 185	1 040 563
OAG Audit Grant	165 000	165 000

Karibib Town Council received funding for capital projects from the government of Namibia amounting to N\$ 1 993 718 and N\$ 1 061 185 from Road Fund Authority for the repairs and maintenance of the roads network within Karibib Urban area.

In appreciation of the government's support towards infrastructure development, Karibib Town Council utilised all the transfers as stipulated in its budgetary statement as approved by the Minister.

Water and sewer services projects in Karibib Town have been completed while, similar projects earmarked for Usab informal area are on-going projects with a long-term development and completion plan. Capital projects being undertaken in Usab informal area are meant to formalise the low-income area within the next 15 years.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

2023	2022
N\$	N\$

On an annual basis, Karibib Town Council receives road maintenance funding from Road Fund Authority a government department for the purposes of maintaining and repairing the roads network in Karibib Town.

During the financial year ended 30 June 2023, Road Maintenance transfers to Karibib Town Council amounted to N\$ 1 061 185 with almost a similar amount of N\$ 1 040 563 having been received in the prior year.

There were no conditions attached to both capital and road maintenance transfers which may result in the government of Namibia recalling the service potential deployed to Karibib Town Council during the financial year.

Utilisation of government transfers

Excavation of water line at Agricultural plots	-	1 423 953
Prepaid water meter informal area	-	998 959
Connection of septic tanks to main sewer line in town	-	596 526
Harambe informal area water line ext. 7, and 8	1 366 917	1 131 845
 Sewer line upgrades - Town & Usab informal area	 300 002	 413 382
Water services - Town and Usab informal area	326 800	137 240
Total capital allocation and utilisation	1 993 718	4 701 905
RFA transfers	1 061 185	1 040 563
Total allocation and utilisation all transfers	3 054 903	5 742 468

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$
20. General and administration expenses	5 665 639	4 600 373
Advertising & promotions	88 002	175 247
Licences	110 425	113 814
Bank charges	154 871	125 965
Build Together life cover	19 285	14 824
Building plans fees	25 236	-
Cleaning campaign & materials	132 999	232 132
Emails and SMS	105 389	76 680
Contractual labour	212 148	141 564
Contribution to Mayor's fund	27 690	13 303
Deed search	4 618	4 809
Dog vaccine	9 720	-
Disposal of asset	-	10
Electricity consumption	251 958	251 958
Emergency expenses	2 830	-
Employee capacity building	165 000	165 000
Fire protection equipment	-	36 169
Fuel	785 436	527 213
Function	28 620	29 763
Motor vehicle licenses	101 134	65 910
Travelling and accommodation	384 477	280 891
Land audit	78 195	-
Materials	341 406	389 549
Medical expenses - check-up	1 796	2 351
Membership fees	52 500	55 900
Newsletter	41 235	1 970
Office equipment rental	176 896	61 594
Entertainment	133 058	97 021
Open market expenses	832	-
Postage and courier	98 199	64 483
Consulting fees	146 585	83 331
Printing and stationery	196 636	166 565
Protective clothing	116 208	138 771
Purchase of a phone	2 609	-
Refuse removal services	433 615	-

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2023	2022
	N\$	N\$
Security services	618 883	648 710
Staff awards	608	20 469
Sundry expenses	1 000	803
Tools and equipment	8 515	13 021
Telephone and fax	218 166	183 029
Town beautification	24 568	7 797
Training and development	140 055	128 557
Water meters	224 238	281 200

General and administrative expenses of N\$ 5 665 639 and N\$ 4 600 373 (2022) comprise operational appropriations.

21. Employee costs **12 311 152** **12 207 409**

Non-councillors employee costs

Salaries and wages	5 706 903	5 743 688
Housing allowance	1 964 012	1 883 897
Medical Aid contribution	1 412 422	1 275 985
Pension fund contribution	1 245 450	1 202 481
Annual bonus	469 279	488 502
Vehicle allowance	367 755	394 908
Transport allowance	289 542	285 690
Overtime	187 356	186 776
Cell phone allowance	59 878	59 730
Social Security Contributions	37 762	35 075
Workman's compensation	37 124	117 008
Airtime - standby	19 500	19 500
	11 796 983	11 693 240

Employee costs relate to short term and long-term employee benefits arising from the rendering of services. Total employee costs amounted to N\$ 11 796 983 and N\$ 11 693 240 respectively. All services rendered by employees with balances above fall under formal agreements with the Town Council.

Entitlements falling due after employment comprise pension of N\$ 1 245 450 and N\$ 1 202 481 (2022). All other entitlements are short term employee benefits falling due within the current financial year as services are rendered and within 12 months after cessation of employment.

Councillors' remuneration

Salaries and allowances - councillors	514 169	514 169
Councillors' remuneration	514 169	514 169

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

Karibib Town Council governing board comprise of 5 official politically elected members responsible for policy decisions and governance. As at the reporting date, remuneration paid to sitting members of the governing board amounted to N\$ 514 169 which also remains unchanged for the comparative period.

During the financial year ended 30 June 2023, there were no terminations of service for board members.

Compensation of key management personnel for the financial year ended 30 June 2023

	Chief Executive Officer	Finance & Asset Manager	LED & Corp Services Manager	Technical Services Manager	Total
	N\$	N\$	N\$	N\$	N\$
Basic Salary	377 656	272 567	280 744	280 744	1 211 711
Housing	151 062	109 027	112 298	112 298	484 684
Car allowance	102 701	89 316	89 316	89 316	370 649
Cellphone allowance	14 400	9 600	9 600	9 600	43 200
Total	645 819	480 510	491 958	491 958	2 110 244

In line with IPSAS 20, Related Party disclosures, remuneration for 4 key management personnel responsible for the strategic direction of Karibib Town Council is set out in the table above as determined on a full-time equivalent basis. The combined total remuneration of key management personnel for the financial year amounted to N\$ 2 110 245. There were no loans made to close family members during the year. There were no transactions between Karibib Town Council and members of the governing board and key management personnel other than those within the daily or ordinary parameters.

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$
22. Repairs and Maintenance	1 244 767	1 297 972
Vehicles repairs and maintenance	652 433	311 017
Building renovations	280 946	93 698
Dumping site	165 200	-
Computer equipment repairs and maintenance	65 773	22 997
Furniture and office equipment repairs	37 294	-
Servicing of fire extinguishers	28 420	-
Water network repairs and maintenance	11 550	1 986
Play ground material	2 200	-
Equipment, machinery and tools	952	92 337
Computer and office equipment	-	13 250
Open market electricity network	-	40 819
Road maintenance	-	721 868

Repairs and maintenance expenditure represents an outflow of service potential towards ensuring the useful lives of items of property, plant and equipment are restored and or maintained for the purposes of efficiency, safety, and longevity

As at the reporting date, repairs and maintenance expenditure amounted to N\$ 1 244 767 and N\$ 1 297 972 respectively.

Items of Property, Plant, and Equipment relating to significant expenditure appropriations for the financial year comprise dumpsite of N\$ 165 200, renovations of council buildings of N\$ 280 946, and vehicles repairs and maintenance of N\$ 652 433.

23. Insurance	289 615	241 613
Insurance	269 850	241 613
Build together life cover insurance	19 765	-

The first insurance line item of N\$ 269 850 and (2022: N\$ 241 613) is mitigation expenditure arising from transferring risk for a fee. The Town Council acknowledges the occurrence of unexpected events to some of its items of Property, Plant, and Equipment.

The second insurance expense of N\$ 19 765 relates to live cover on beneficiaries of the Build Together scheme. Life cover ensures the Build Together scheme houses are secured in the event of a loss of life by the beneficiary.

24. Employee contributions	646 121	424 516
Bonus contribution	238 421	218 854
Severance pay contribution	234 772	31 418
Leave contribution	172 928	174 244

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2023	2022
N\$	N\$

Karibib Town Council recognises an expense arising from contributions made towards bonus by employees up to the reporting date. During the financial year, such contributions accrued to an amount of N\$ 238 421 with N\$ 218 854 being the accrual for the prior year. Bonus contribution unwinds every financial year as employees reach their birthday anniversaries.

During the financial year, employees contributions towards severance pay amounted to N\$ 234 772 and N\$ 31 418 for the prior financial year. Severance pay is designed to provide lump sum financial support to employees upon retirement.

The third line item of N\$ 172 928 and N\$ 174 244 (2022) comprise vacation leave contribution arising from the days employees of Karibib Town Council worked in lieu of leave. The amounts represent an accumulation of leave days over and above the leave balance as at the end of the prior financial year.

Severance pay contribution

Opening balance	1 278 968	1 247 550
Movement during the year	234 772	31 418
Closing balance	1 513 740	1 278 968

Leave provision

Opening balance	1 630 004	1 455 760
Movement during the year	172 928	174 244
Closing balance	1 802 932	1 630 004

25. Funds and Accounts

	4 773 789	4 707 905
Opening balance - Build Together	4 707 905	4 637 050
Fund movements	65 884	70 854

The Build Together fund is a Ministry of Urban and Rural Development (MURD) funded from the Trust Fund Act for Regional Development and Equity Provisions Act, 2000.

Karibib Town Council administers the Build Together Fund in line with the requirements of the National Housing Development Act 28 of 2000. Karibib Town council administers the scheme in line with the provisions of the National Housing Development ACT, 28 of 2000.

The Housing Fund, specifically known as the Build Tother Fund is a scheme established to support low-income earners. As at the reporting date, an opening balance of N\$ 4 707 905 represents an accumulation of loan repayments from beneficiaries of the scheme.

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$

In the ordinary course of operations for the financial year, the Fund experienced movements attributable to repayments of interest amounting to N\$ 65 884 representing nominal growth of the Fund. Interest earned on loans is reinvested in the fund to enable the scheme to revolve with new beneficiaries being admitted to the Fund.

26. IPSAS adjustments

Inventory of serviced plots

Property, plant and equipment

Accumulated depreciation

1 509 456 817

149 623 286

1 367 793 448

(7 959 918)

Inventory of serviced plots

Inventory of serviced plots previously recognised

8 228 798

Adjusted inventory of serviced plots

(157 852 084)

Adjustment to inventory of serviced plots**(149 623 286)**

As at 30 June 2021, Karibib Town Council had serviced land qualifying as inventory which had not been brought to the statement of financial position.

The recognition of inventory of serviced plots during the transitional period resulted in some omissions which needed rectification before reporting using full IPSAS. The rectification of the omission resulted in an adjustment of N\$ 149 623 286 which was an understatement to inventory in the prior year.

Property, plant and equipment

Property, plant and equipment previously recognised

173 655 099

Investment property previously recognised

73 507 313

Total PPE and investment property**247 162 412**

Revised non-current assets at cost

1 614 955 860

PPE movements**(1 367 793 448)**

As at 01 July 2021, Karibib Town Council moved out of the transitional period where the requirements aligned to IPSAS 33, First time adoption of accrual basis IPSAS lapsed.

To satisfy the requirements of full application of IPSASs relating to transactions, events, and conditions at Karibib Town Council, a review of audit findings for the financial years relating to the transitional periods beginning 01 July 2019 to 30 June 2022 necessitated a restatement of balances previously reported on Property, Plant, and Equipment.

KARIBIB TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2023	2022
	N\$	N\$

The restatement of balances resulted in the recognition of land previously under investment property under current and non-current portions as the land was held for service delivery purposes, rather than capital appreciation or for rental to others.

Accumulated depreciation

Accumulated depreciation previously reported	3 969 029
Revised accumulated depreciation	(11 928 947)
Adjustment to accumulated depreciation	(7 959 918)

27. Correction of errors**8 431 476**

Motor vehicle loan	(650 694)
Surveying of Erf 412	(11 445)
Government loans	2 043 492
Staff loans	(721 734)
Government loans	736 203
Low-cost housing liability	760 000
Community account bank charges - 2020	(590)
Community account bank charges - 2021	(5 251)
Community account interest - 2020	559
Community account interest - 2021	456
Water meters revenue - 2021	95 060
Property sales community account - 2021	(87 250)
Community account cash and cash - 2021	224 613
Revenue from donations	14 371
Revenue from erven sales - 2021	12 000
Water meters in inventory - 2021	207 200
Leave provision adjustment	25 940
Reversal of movements in equity	3 219 601
Reversal of general reserve	2 452 341
Other movements	116 603

Correction of prior period errors for the year relate to transactions, and events set out above.

The requirements of IPSAS 3, Accounting policies, changes in accounting estimates and errors specify the correction of errors in the comparative information presented in the financial statements.

The transactions above occurred thereby satisfying recognition requirements in the statement of surplus or deficit and the statements of financial position.

KARIBIB TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

The majority of the transactions had measurement errors with the exception of movements in equity of N\$ 3 219 601 and general reserve of N\$ 2 452 341. As a result of contributions from audit of financial years ended 30 June 2021 and 2022, Karibib Town Council reversed the movements and general reserve transactions. These were equity adjustments which needed a review in recognition and measurement of assets and liabilities.

Other errors in the comparative period requiring correction relates to the community bank account which was not forming part of the transactions, and events of Karibib Town Council. The recognition of the community account resulted in the accounting of all of the transactions executed through the accounts as from the financial year ended 30 June 2020.

Another major adjustment relates to government loans overstatement which was raised in the 2021 audit. The overstatement required an adjustment of the government long term loans with an amount of N\$ 2 043 492.