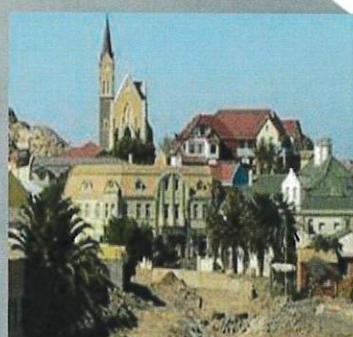
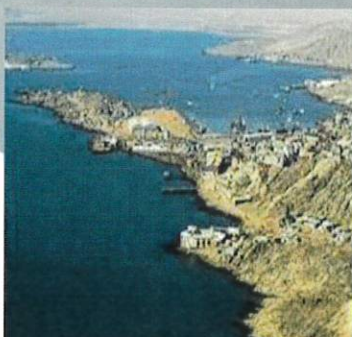
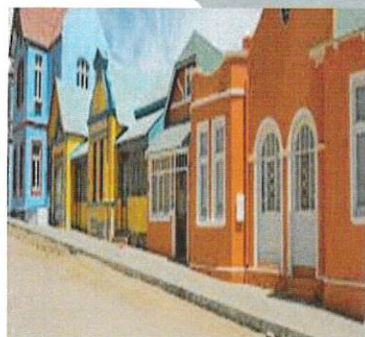




REPUBLIC OF NAMIBIA



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

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

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

WINDHOEK, August 2022

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Lüderitz Town Council for the financial year ended 30 June 2021. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Adverse Audit Opinion section of the audit report, the accompanying financial statement do not give a true and fair view of the financial position of the Lüderitz Town Council as at 30 June 2021, and financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

2. BASIS FOR ADVERSE AUDIT OPINION

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

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

2.1 FIRST TIME ADOPTION OF IPSAS

On the preparation and presentation of the financial statements, the Council did not prepare and present an opening statement of financial position at the date of adoption of IPSASs as stated in IPSAS 33 paragraph 15, which states "A first-time adopter shall prepare and present an opening statement of financial position at the date of adoption of IPSASs".

It is recommended that the Council should comply with the provisions of IPSAS 33.15.

2.2 OPENING BALANCES OR COMPARATIVES

The auditors noted that the opening balances or comparatives figures for the prior year were changed without any proper explanations. The auditors therefore, also could not rely on the current year figures reported in the annual financial statement. It is recommended that the Council cross check and cast the opening balances used in the current financial year with the prior financial year annual financial statements.

2.3 VALUE ADDED TAX (VAT) RECEIVABLES

The auditors have noted that there is a difference between the value added tax control account amounting to N\$ 3 107 044 and the annual financial statements of N\$ 3 919 780 which results in an unexplained difference of N\$ 536 736.

It is recommended that the Council should prepare proper value added tax reconciliation.

2.4 TRADE AND OTHER RECEIVABLES

The auditors have noted a difference between the trade and other receivables amounting to N\$ 36 593 604 on the annual financial statements and the debtors age analysis amounting to N\$ 14 294 579, this resulted in a difference of N\$ 22 299 025. Therefore, the trade and other receivables have been overstated in the annual financial statements.

It is recommended that the Council should ensure that the debtors control account agrees to the annual financial statements.

2.5 TRADE AND OTHER PAYABLES – PROVISIONS

The auditors have noted that the provision for accrued leave is understated with N\$ 1 685 380 which is the movement for the year. The amount depicted under provisions is only the opening balance, however the N\$ 1 685 380 is erroneously disclosed under other payables. The auditors could also not obtain supporting documents for the pro rata bonus provision of N\$ 772 924.

It is recommended that the Council should adjust their provisions and disclose accordingly and that the Council should ensure that documents are always availed to the auditors for auditing purpose.

2.6 TRADE AND OTHER PAYABLES - OTHER CREDITORS

The auditors could not obtain any supporting documents to verify the N\$ 2 249 841 listed under trade and other payables.

It is recommended that the Council should ensure that documents are always availed to the auditors for auditing purpose.

2.7 FRUITLESS EXPENDITURE

The Town Council incurred external consultation expenditure amounting to N\$ 80 420 for the preparation of financial statements, however the cost benefit of this expenditure did not meet the desired quality output raising a concern of competency in this regard.

It is recommended that the Council should ensure that the service provider is of desired quality with regards to a fruitful outcome.

2.8 CASH FLOW STATEMENT

The auditors have noted that there is a difference between the cash flow statement on the annual financial statements and the re-calculation of the auditors amounting to N\$ 153 242.

It is recommended that the Council should prepare a proper cash flow statement.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the audit opinion thereon, and I do not provide a separate audit opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statements for the Lüderitz Town Council.

4. OTHER INFORMATION

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 knowledge obtained in the audit or otherwise appears not to be materially misstated. If, based on the work I have performed, I conclude that there are no material misstatements of this other information; I am required to report that fact. I have nothing to report in this regard.

5. 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 legislation, and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report that includes the audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatement 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 for users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), I exercise professional scepticism throughout the audit, I also:

- Identify and assess the risk of material misstatement of the financial statements, weather due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an audit opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence, obtained weather 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. I conclude that a material uncertainty exists, I am required to draw attention in the report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to date of the audit report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and weather 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 compiled 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 at the current period and are therefore the key audit matters. I describe these matters in the audit report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

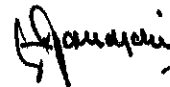
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2021 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).

8. ACKNOWLEDGEMENT

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

WINDHOEK, August 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

LÜDERITZ TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2021 N\$	2020 N\$
ASSETS			
CURRENT ASSETS			
		81 641 592	73 905 206
Cash and cash equivalents	8	32 121 034	27 216 122
Value Added Tax- receivable		5 806 120	3 919 780
Receivables from exchange transactions	9	36 593 604	40 508 085
Inventories		7 120 834	2 261 219
NON-CURRENT ASSETS			
		198 343 872	203 464 801
Property, plant and equipment	12	180 716 128	184 550 758
Intangible assets		220 714	240 885
Non-current investments		100	100
Long-term receivables		17 406 930	18 673 058
TOTAL ASSETS		279 985 464	277 370 007
FUNDS AND LIABILITIES			
CURRENT LIABILITIES			
		63 937 994	52 969 657
Consumer deposits		1 711 707	1 790 937
Payables from exchange transactions	13	24 812 711	5 183 531
Bank - overdraft		-	11 774 714
Payments received in advance		10 922	36 898
GRN LT liability - current portion		37 402 654	34 183 577
NON-CURRENT LIABILITIES			
Government Long-term loans		1 371 968	2 715 658
TOTAL LIABILITIES		65 309 962	55 685 315
NET ASSETS		214 675 502	221 684 692
RESERVES			
Statutory Funds	16	252 017 704	250 740 719
Accumulated Surplus		(37 342 202)	(29 056 027)
		214 675 502	221 684 692

ANNEXURE B

LÜDERITZ TOWN COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE

	Note	2021 N\$	2020 N\$
REVENUE			
Revenue from Non-exchange transactions			
Taxation revenue			
Property rates and taxes		15 595 191	16 154 810
Transfer revenue			
Total Transfer revenue		10 756 153	27 409 049
Transfers From other government entities		3 207 018	3 022 497
Transfers from government and related entities		7 549 135	8 231 742
Revenue from exchange transaction			
Total revenue from exchange transactions		124 455 408	127 468 558
Service charges	2	118 177 722	115 313 465
Rendering of services		1 677 137	3 118 462
Rental of facilities and equipment	3	2 787 399	2 772 091
Other revenue		376 438	278 924
Interest income		1 426 483	1 579 170
Interest earned on outstanding trade and other receivables		10 229	4 406 446
Total Revenue		150 806 752	154 877 607
Expenses		163 640 376	145 722 189
Bulk purchases	4	76 240 081	77 736 189
Employee costs	5	47 840 117	39 878 390
Remuneration of councillors		475 339	437 883
Depreciation and amortisation expense		6 636 204	8 440 764
Repairs and maintenance		209 586	567 749
Debt impairment		15 231 249	176 000
General Expenses	7	16 547 629	18 097 084
Interest Paid		460 171	388 130
NET OPERATING (DEFICIT)/SURPLUS		(12 833 624)	9 155 418

ANNEXURE C

LÜDERITZ TOWN COUNCIL
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE

	Other Non-Distributable Reserves	Accumulated Surplus	Total Net Assets/Equity
	N\$	N\$	N\$
Balance 1 July 2019	238 453 165	(38 211 445)	200 241 720
Changes in net assets/equity			
Surplus for the Year	-	9 155 418	9 155 418
Direct adjustments to net assets	2 171 038	-	2 171 038
Total Changes	2 171 038	9 155 418	11 326 456
Balance at 01 July 2020	250 740 719	(24 508 578)	226 232 141
Changes in net assets/equity			
Surplus for the Year	-	(12 833 624)	(12 833 624)
Other 2	1 276 985	-	1 276 985
Balance at 30 June 2021	252 017 704	(37 342 202)	214 675 502

ANNEXURE D

LÜDERITZ TOWN COUNCIL
CASH FLOW STATEMENT AS AT 30 JUNE

	Note	2021 N\$	2020 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) / surplus		(12 833 624)	9 155 418
ADJUTMENTS FOR:			
Depreciation and amortisation expense		6 636 204	8 440 764
Debt impairment		15 231 249	176 000
Direct Adjustments to net Assets (Other Housing Funds)		(928 615)	-
Other Non-Cash Items		4 547 872	714 762
CHANGES IN WORKING CAPITAL			
Inventories		138 754	(158 047)
Receivables from exchange transactions		3 914 481	(11 768 464)
Debt impairment		(15 231 249)	(176 000)
Payables from Exchange transactions		19 629 173	1 464 053
VAT		(1 886 340)	(2 681 422)
Consumer deposits		(79 230)	31 289
NET CASH FLOW FROM OPERATING ACTIVITIES		19 138 674	5 198 353
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(7 780 188)	(12 420 996)
Proceeds from Sale of long-term receivables		1 266 128	(176 433)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(6 514 060)	(12 597 429)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in payments received in advance		(25 976)	36 898
Movement in GRN long-term liabilities		1 875 387	686 728
Other cash item - Direct adjustment to funds		2 205 601	2 171 038
NET CASH FLOWS FROM FINANCING ACTIVITIES		4 055 012	2 894 664
Net change in cash and cash equivalents		16 679 626	(4 504 412)
Cash and ccash equivalents as at the beginning of the Year		15 441 408	19 945 820
Cash and cash equivalents as at the end of the Year		32 121 034	15 441 408

ANNEXURE E

**LÜDERITZ TOWN COUNCIL
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual	Reference
	N\$	N\$	N\$	N\$	N\$	
Statement of Financial Performance						
Revenue						
Revenue from Non-Exchange Transactions						
Taxation Revenue						
Other Revenue						
Transfers from Other Government Entities	3 800 000	-	3 800 000	3 207 018	(592 982)	R2
Government Funding	-	-	-	7 549 135	7 549 135	R3
Total Revenue from Non-Exchange Transactions	20 300 000	-	20 300 000	26 351 344	6 051 344	
Revenue from Exchange Transactions						
Service Charges	129 960 000	-	129 960 000	118 177 722	(11 782 278)	R4
Rendering of Services	4 787 000	-	4 787 000	1 677 137	(3 109 863)	
Rental of Facilities and Equipment	2 372 000	-	2 372 000	2 787 399	415 399	R5
Other Revenue	1 618 000	-	1 618 000	376 438	(1 241 562)	R6
Interest Earned – External Investments	1 500 000	-	1 500 000	1 426 483	(73 517)	R7
Interest Earned – Outstanding Debtors	4 000 000	(4 000 000)	-	10 229	10 229	R7
Total Revenue from Exchange Transactions	144 237 000	(4 000 000)	140 237 000	124 455 408	(15 781 592)	
Total Revenue	164 537 000	(4 000 000)	160 537 000	150 806 752	(9 730 248)	
Expenditure						
Bulk Purchases	(87 010 000)	-	(87 010 000)	(76 240 081)	10 769 919	R8
Employee Costs	(45 100 413)	-	(45 100 413)	(47 840 117)	(2 739 704)	R9
Remuneration of Councillors	(483 091)	-	(483 091)	(475 339)	7 752	R9
Depreciation and Amortisation Expense	-	-	-	(6 636 204)	(6 636 204)	R10
Repairs and Maintenance	(5 521 140)	-	(5 521 140)	(209 586)	5 311 554	R11

**LÜDERITZ TOWN COUNCIL
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021 (Continued)**

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual	Reference
	N\$	N\$	N\$	N\$	N\$	
Expenditure						
Debt Impairment	(176 000)	176 000	-	(15 231 249)	(15 231 249)	R10
General Expenses	(21 798 228)	-	(21 798 228)	(16 547 629)	5 250 599	R12
Interest Paid	-	-	-	(460 171)	(460 171)	R13
Total Expenditure	(160 088 872)	176 000	(159 912 872)	(163 640 376)	(3 727 504)	
Deficit	4 448 128	(3 824 000)	624 128	(12 833 624)	(13 457 752)	

Actual Amount on Comparable Basis as

Presented in the Budget and Actual

Comparative Statement

Note: The Council is not required to prepare and publish Budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS24.5, from preparing the Statement of Comparison of the Budget and Actual Amounts for those statements in.

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

R2: The difference emanates from timing difference as a result of how budgetary funds are released from Road Fund Authority.

R3: There was no commitment from the Government for grants as the time of compiling the budget hence the variance.

R4: Due to continued impact of COVID- 19, there was less industrial and commercial activities, hence less demand for water, sewerage, and electricity by commercial entities. As such the budget target was not achieved.

R5: The positive variance is due to under budgeting for rental income from facilities and equipment.

R6: By its very nature, revenue from other services is not easy to budget for since it is not a major source of revenue for the Council.

R7: The variance is due to the fact that interest income is dependent on free cash available for investment in short term deposit. The Council did not have excessive cash for reinvestment in the money markets. Furthermore, due to the negative impact of the pandemic interest on debtors was suspended.

ANNEXURE E

**LÜDERITZ TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (Continued)**

- R8: Refer to note R4.
R9: The negative variance is due to adhoc expenditure on overtime.
R10: No budgetary provision was made for non-cash item.
R11: The item was over – budgeted for. Depreciation and impairment of assets are non-cash items thus not budgeted for Ministerial approval however Capital expenditure is.
R12: The line item was over budgeted for.
R13: No budget provision was made for interest expense.

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

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

They are presented in Namibia Dollar.

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

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

Transition Statement

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, The Town Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020. The Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2023 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basic IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that the Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The Council has made minimum progress towards such compliance; however, management shall relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

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

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

Transition Statement (continued)

These accounting policies are consistent with the previous period.

1.1. Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Revenue Recognition

Accounting Policy 1.3 on Revenue from Exchange Transactions and Accounting Policy 1.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Town Council.

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

Estimation of Meter Readings:

Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised.

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

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

as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Estimation of unused Prepaid Metered Services:

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

Impairment of Financial Assets:

Accounting Policy 1.6 on Financial Instruments sub paragraph Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the Town Council considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Town Council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Impairment of Trade Receivables

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their credit worthiness. This is performed per service identifiable categories across all classes of debtors.

Useful life of Property, Plant and Equipment, Intangible Assets, and Investment Property

As described in Accounting Policies 1.4, and the Town Council depreciates its Property, Plant & Equipment, and Investment Property, and amortises its Intangible Assets, over the estimated useful

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.1. Significant judgements and sources of estimation uncertainty (Continued)

Life of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are available for use.

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

Accounting Policy on Impairment of Assets, Accounting Policy on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Town Council. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write down of Inventories to the lowest of Cost and Net Realisable Value

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible Assets and Investment Property are disclosed in Notes, 21, and to the Annual Financial Statements, if applicable.

1.2 Revenue from Non Exchange Transactions

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

Rates and Taxes

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

Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Town Council has complied with any of the criteria, conditions or obligations embodied in the agreement.

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.2 Revenue from Non Exchange Transactions (Continued)

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Town Council's interest, it is recognised as interest earned in Surplus or Deficit.

Fines

Fines constitute both spot fines and summonses.

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

Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

1.3 Revenue from Exchange Transactions

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

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

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

Sale of goods (including Houses)

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.3 Revenue from Exchange Transactions (continued)

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service Charges

Service Charges are levied in terms of the approved tariffs.

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

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

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

Prepaid Electricity and Water

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

Rentals Received

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

Finance Income

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

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.3 Revenue from Exchange Transactions (continued)

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

1.4 Property, Plant and Equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, Plant and Equipment are initially recognised at cost.

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

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

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

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

Depreciation on assets other than land is calculated on cost, using the reducing balance method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.4 Property, Plant and Equipment (Continued)

Item	Average useful life
Buildings	
• Improvements	8 - 80
Leased	
• Motor vehicles	5 - 15
Infrastructure	
• Electricity	10 - 50
• Roads and storm water	8 - 80
• Sanitation	10 - 90
• Solid waste	5 - 80
• Water	10 - 90
Community	
• Facilities	8 - 80
Other	
• Computer equipment	4 - 8
• Emergency equipment	5 - 6
• Furniture and fittings	5 - 8
• Motor vehicles	5 - 15
• Office equipment	4 - 15
• Plant & equipment	4 - 15
• Specialised vehicles	5 - 15
• Specialised vehicles	5 - 15

Land

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

Incomplete Construction Work

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

Leased Assets

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

Derecognition

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

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.4 Property, Plant and Equipment (Continued)

Transitional Provision

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

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

1.5 Intangible assets

Initial Recognition

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

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

Intangible Assets are initially recognised at cost.

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

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

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

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.4 Intangible Assets (Continued)

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

Subsequent Measurement, Amortisation, and Impairment

After initial recognition, Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is charged on a Straight-line Method over the intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

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

Item	Average useful life
Computer software	3 - 5 years

Derecognition

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

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Council as Lessee

Finance Leases

Property, Plant and Equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the Town Council uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.6 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the Capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

1.6.1 Operating Leases

The Town Council recognises operating lease rentals as an expense in Surplus or Deficit on a Straight line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

1.6.2 The Council as a Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the Town Council's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Town Council's net investment outstanding in respect of the leases or instalment sale agreements.

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

1.7 Financial Instruments

The Council has various types of Financial Instruments, and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

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

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.7 Financial Instruments (continued)**Fair Value Methods and Assumptions**

The fair value of financial instruments is determined as follows:

- The fair values of quoted investments are based on current bid prices;
- The market for a Financial Asset is not active (and for unlisted securities), the Town Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs;

Classification

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

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

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

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

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

At Fair Value through Surplus or Deficit

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.7 Financial instruments (Continued)

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

Held-to-Maturity Investments

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

Loans and Receivables

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

Available-for-Sale Investments

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

Financial Liabilities:

At Fair Value through Surplus or Deficit

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

At Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at Fair Value, net of transaction costs. Trade and Other Payables, Interest bearing Debt including Finance Lease Liabilities, Non-interest bearing Debt and Bank Borrowings are subsequently measured at

Amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.7 Financial instruments (Continued)

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

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets:

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated, and an impairment loss is recognised through the use of an allowance account.

Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the Town Council will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with ownership.

Credit risk characteristics similar to those in the group. Cash flows relating to short term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

Financial Assets Available for Sale

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

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.7 Financial instruments (Continued)

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

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

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

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

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

- * a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- * non exchange revenue, in accordance with the Standard of IPSAS on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Derecognition

Financial Assets

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

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

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.7 Financial Instruments (Continued)**Financial Liabilities**

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

The Council recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, in Surplus or Deficit.

1.8 Provisions and Contingencies

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

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.8 Provisions and Contingencies (Continued)

Decommissioning, Restoration and Similar Liability

Estimated long-term environmental provisions, comprising rehabilitation and land fill site closure, are based on the Council's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

Contingent Assets and Contingent Liabilities

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

1.9 Employee Benefits

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

Short term Employee Benefits

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

Short-term Employee Benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employee render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the report in the period in which the employees render the related service.

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

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

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)**

1.9 Employee Benefits (continued)**Post-Employment Benefits**

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

1.10 Borrowing Costs

The Council uses the Benchmark treatment of borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

1.11 Related Parties

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

1.12 Going Concern Assumption

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

At 30 June 2021, the council's Current Assets exceeded its Current Liabilities. Though the Council was not spared from the impact of Covid 19 and related effects, the Council have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 26 to the Annual Financial Statements.

1.13 Net Assets**Statutory Fund**

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992). The Housing Fund contains all proceeds from housing developments, which include

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

1.13 Net Assets (continued)

Proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund. Unexpended moneys in the Housing Fund which are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

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

Accumulated Surplus

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

1.14 Grants In Aid

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

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

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

1.15 Value Added Tax

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

1.16 Material Losses

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

1.17 Commitments

Commitments are future expenditure to which the Council committed and that will result in the out flow of resources.

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED****30 JUNE (continued)****1.18 Commitments**

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, balance are included in the disclosure Notes. A distinction is made between capital and current commitments.

1.19 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as none adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

2. SERVICE CHARGES

	2021	2020
	N\$	N\$
	118 177 722	115 313 465
Sale of electricity	75 519 527	71 010 377
Sale of water	32 727 955	33 955 928
Sewerage and sanitation charges	4 097 093	4 533 160
Refuse removal	5 833 147	5 814 000

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

3. RENTAL OF FACILITIES AND EQUIPMENT

	2 787 399	2 772 091
Rental income - Amenities	-	1 697
Property rental income	2 641 547	2 612 286
Rental of other facilities	-	832
Rental of equipment	145 852	157 276

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

4. BULK PURCHASES

	76 240 081	77 736 189
Electricity	57 721 043	59 619 891
Water	18 519 038	18 116 298

ANNEXURE F

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

4. BULK PURCHASES (Continued)

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

5. EMPLOYEE RELATED COSTS

	2021	2020
	N\$	N\$
	47 840 117	39 878 390
Basic	22 426 130	21 696 005
Bonus	2 283 894	1 452 027
Medical aid - company contributions	5 538 202	5 138 453
Social Security	107 917	107 457
WCA	94 428	320 522
Leave pay provision charge	250 063	131 628
Other short-term costs	7 363 379	325 894
Defined contribution plans	3 823 519	3 828 143
Travel, motor car, accommodation, subsistence and other allowances	508 651	1 206 122
Overtime payments	1 608 409	1 666 527
Transport allowance	1 314 477	1 307 945
Housing benefits and allowances	2 313 389	1 836 193
Other allowances	80 950	83 000
Internship and Job Attachment	26 744	287
Cell phone Allowances	99 965	113 718
Casuals and Temporary employees	-	664 469

6. DEBT IMPAIRMENT

The impairment of debt is based on the days past due date. All debts that are 120 days or more constitute an impairment provision for the financial year

7. GENERAL EXPENSES

	16 547 629	18 097 084
Cleansing Charges	6 581	3 476
Bank charges	262 742	266 200
Catering & Entertainment Cost	217 187	209 401
Supplies and Consumables used	1 412 770	2 164 315
Cleaning	525 921	447 759
Commission Paid	332 649	393 513
Consulting and professional Fees	527 645	119 143

LÜDERITZ TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

7. GENERAL EXPENSES (Continued)

	2021	2020
	N\$	N\$
Donations	400 555	433 038
Electricity (departmental)	2 324 519	4 785 729
Fuel and oil	748 293	927 739
Hire	70 545	1 000
IT Eexpenses	139 776	124 262
Inspections Carried Out	87 053	74 411
Insurance	904 243	1 263 985
Inter-departmental Transfers	779 760	807 701
Inventories Written-off	402 401	228 963
Motor Vvehicle expenses	872 619	1 018 908
Pest Ccontrol	-	3 600
Postage and Ccourier	133 662	132 438
Printing and stationery	102 280	146 386
Property Only	483 749	423 232
Refuse	4 023	838
Youth Centre Sec/Caretaker	1 962	6 055
Security (Guarding of Mmunicipal Pproperty)	893 976	1 273 214
Sewerage and Waste Disposal	9 901	11 385
Software expenses	606 492	693 137
Staff welfare	13 800	81 676
Subscriptions and membership fees	61 208	44 064
Telephone and fax	609 903	669 806
Training	368 203	389 354
Uniforms	229 768	176 232
Water	3 013 443	776 124

8. CASH AND CASH EQUIVALENTS

		32 121 034	15 441 408
Cash on Hand	Current assets	2 504	2 504
Bank balances	Current assets	1 161 203	-
Short-term deposits	Current assets	30 957 327	27 213 618
Bank overdraft	Current liabilities	-	(11 774 714)

For the purpose of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts

No other restrictions have been imposed on the council in terms of the utilisation of its Cash and Cash Equivalents.

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

8. CASH AND CASH EQUIVALENTS (Continued)

Short-term deposits consist of Call deposits and fixed deposits.
 Call and Notice Deposits

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4.25% to 4.85% (2020: 4.00% to 6.25%) per annum

Fixed deposits

Fixed Deposits are fixed term investments with a maturity period of less than 12 months and earn interest rates varying from 5.90% to 8.25% (2020: 8.03% to 8.25%) per annum

Short term deposits were previous classified as non-current investments. These balances have since been reclassified as cash and cash equivalents. The comparative figures for the Statement of Cash flows will therefore differ from those presented for the period ended 30 June 2020 due to the reclassification

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2021	2020
	N\$	N\$
	36 593 604	40 508 085
Trade debtors	35 458 364	39 610 263
Prepayments	1 135 240	897 822

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

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

Allowance for Impairment:

In determining the recoverability of Receivables, the council has placed strong emphasis on verifying the payment history of consumers. Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 120 days per service type. No further credit allowance is required in excess of the Allowance for Impairment.

LÜDERITZ TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

10. LONG-TERM RECEIVABLES

The long- term receivables are composed of the following:

11. DEVELOPMENT AND HOUSING FUNDS

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

LÜDERITZ TOWN COUNCIL

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

12. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost/ valuation N\$	Accumulated depreciation N\$	Carrying value N\$	Cost/ valuation N\$	Accumulated depreciation N\$	Carrying value N\$
Total	217 898 044	32 183 547	180 716 128	210 118 274	25 567 516	184 550 758
Buildings	2 117 840	-	2 117 840	6 876 696	-	6 876 696
Plant and machinery	2 583 106	1 025 799	1 557 307	2 496 388	775 047	1 721 341
Furniture and fixtures	161 377	120 528	40 849	143 606	93 313	50 293
Motor vehicles	3 968 958	2 071 467	1 897 491	3 968 958	1 847 974	2 120 984
Office equipment	269 767	173 540	96 227	262 228	141 576	120 652
IT equipment	616 738	450 424	166 314	599 438	339 558	259 880
Infrastructure	203 181 889	28 341 789	174 840 100	195 770 960	22 370 048	173 400 912

ANNEXURE F

**LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliation of property, plant and Equipment -2021

	Opening Balance	Additions	Transfers	Depreciation/	End of Year
	N\$	N\$	N\$	N\$	N\$
Buildings	184 550 758	7 780 188	(4 998 369)	(6 616 449)	180 716 128
Plant and machinery	6 876 696	239 513	(4 998 369)	-	2 117 840
Furniture and fixtures	1 721 341	87 138	-	(251 172)	1 557 307
Motor vehicles	50 293	17 770	-	(27 214)	40 849
Office equipment	2 120 984	-	-	(223 493)	1 897 491
IT equipment	120 652	7 539	-	(31 964)	96 227
Infrastructure	259 880	17 300	-	(110 866)	166 314
	173 400 912	7 410 928	-	(5 971 740)	174 840 100

Reconciliation of property, plant and Equipment 2020

Buildings	180 526 933	12 420 996	-	(8 397 171)	184 550 758
Plant and machinery	5 514 026	1 362 670	-	-	6 876 696
Furniture and fixtures	1 513 453	503 917	-	(296 029)	1 721 341
Motor vehicles	36 191	47 616	-	(33 514)	50 293
Office equipment	2 592 013	-	-	(471 029)	2 120 984
IT equipment	138 024	22 838	-	(40 210)	120 652
Infrastructure	222 382	195 357	-	(157 859)	259 880
	170 510 844	10 288 598	-	(7 398 530)	173 400 912

LÜDERITZ TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

13. PAYABLES UNDER EXCHANGE TRANSACTIONS

	2021	2020
	N\$	N\$
	24 812 711	5 183 531
Trade payables	13 482 298	(2)
Payments received in advance	2 846 522	-
Staff Bonuses	427 217	398 807
Accrued leave pay	2 842 542	2 516 648
Accrued bonus	772 924	-
Regional council accrued levies	2 191 367	1 411 608
Other creditors	2 249 841	856 470

Staff Leave:

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

14. CONSUMER DEPOSITS

Consumer Deposits are cash payments made by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the council can utilise the deposit as payment for the outstanding account

No interest is paid on Consumer Deposits held by the Council.

15. PAYMENTS RECEIVED IN ADVANCE

Payments received in advance mainly consists of accounts receivables with credit balances.

16. FUNDS

	252 017 704	250 740 719
Funds and reserves	242 829 804	240 624 203
Undefined differences	9 187 900	10 116 516

LÜDERITZ TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

17. RELATED PARTIES

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

	2021	2020
	N\$	N\$
Related party balances:		
Outstanding balances on services accounts		
Reinhardt Stevens Ochs-Chief Executive Officer	(112 802)	(4 897)
Ignatius Ndjiviro Tjipura - Strategic Executive: Technical Services 192	192	219
Thomas Nambuli - Strategic Executive: Finance & IT	(33 802)	(22 165)
Ignatius Ndjiviro Tjipura - Strategic Executive: Technical Services	(8 710)	(5 397)
Otto Kondjeni Shipanga - Strategic Executive: Corporate Services	1 072	366
These accounts are subject to normal council terms and conditions including payment of consumer deposits.		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Hartzenberg Anna - Marie & Ronald Dawid	1 641	55 009
Fredericks Bridgitte Ingrid	74 617	212 175
Wilskut Elizabeth	9 627	4 567
Abraham Johannes	856	1 281
Mckay Catherine Magdelene	19 493	17 300
Heita JKK	1 304	14 537
Nuuyoma H	7 368	12 897
Shihopo Shipola Maria	5 325	3 448
Mukapuli Helalia	-	3 449
Amakai Martha Ndakondjele	369	-
Mwiya Calvin Maliwa	5 432	1 954
Gumede Willem Goliath	16 980	13 230

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Chief Executive Officer, and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties-State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement

LÜDERITZ TOWN COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30****JUNE (continued)**

19. RELATED PARTIES (Continued)

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Chief Executive Officer, and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties

18. Going Concern

Management considered the following matters relating to the Going Concern:

- (i) Strict daily cash management processes are embedded in the council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.
- (ii) As the Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- (iii) As the Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- (iv) The council continue to receive financial support for capital projects and its operations from the central government through the Ministry of Urban and Rural Development.

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

19. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to June 2021.

