



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF NKURENKURU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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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 Town Council of Nkurenkuru for the financial year ended 30 June 2022, 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, October 2023

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS
OF THE TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

SECTION A: FINANCIAL AUDIT

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Nkurenkuru Town Council for the financial year ended 30 June 2022 provided by the Accounting Officer as attached in Annexure A-F. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, statement of cash flows, notes to the financial statements and a summary of significant accounting policies.

In my opinion, because of the significance of matters discuss in the Basis for Adverse audit opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of Nkurenkuru Town Council as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, 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 my opinion. An adverse audit opinion is being expressed due to the following reasons:

2.1 COMPARATIVE FIGURES

The Council did not comply with IPSAS 1 paragraph 55 as it restated the prior year account balances and did not present the prior period (i.e. 2021) comparative figure column as per audited financial statements and the 2021 restated figures column. It is recommended that the Council should ensure that it complies with IPSAS 1 paragraph 55.

2.2 STATEMENT OF FINANCIAL POSITION

A difference amounting to N\$ 4 313 226 is observed between total assets amounting to N\$ 108 185 493 and the net asset and liabilities amounting to N\$ 103 872 267 for the comparative figure.

Furthermore, a difference amounting to N\$ 165 770 is observed between total assets amounting to N\$ 126 198 893 and the net asset and liabilities amounting to N\$ 103 872 267 for 2022. It is recommended that the Council to ensure that checks and balances are in place.

2.3 CASH FLOW STATEMENT

2.3.1 COMPARATIVE NOTE

The Council did not provide reconciliation in the notes for net cash flow from operating activities which is not in compliance with IPSAS 2 paragraph 29.

2.3.2 NET CASH FLOW FROM OPERATING ACTIVITIES

A difference of N\$ 1 523 989 was observed between the auditors' recalculation of N\$ 2 235 677 and the balance disclosed in the cash flow statements of N\$ 3 579 666.

2.3.3 NET CASH FLOW FROM INVESTING ACTIVITIES

A difference of N\$ 7 004 404 was observed between the auditors' recalculation of (N\$ 10 511 754) and the balance disclosed in the cash flow statements of N\$ 3 507 351. The auditors also observed the disposal of assets in the note 29. However, no cash flow movement was included as a result of this.

It is recommended that the Council should ensure that account balances are accurately disclosed and differences are corrected on a timely basis.

2.4 COMPARISON OF ANNUAL FINANCIAL STATEMENTS TO THE TRIAL BALANCE

The Council omitted an amount of N\$ 187 770 for consumer deposit disclosed in the trial balance from the annual financial statement. Therefore, the current liabilities are understated with N\$ 187 770. It is recommended that the Council should ensure that account balances are accurately disclosed and differences are corrected on a timely basis.

2.5 JOURNAL ENTRIES – RETAINED EARNINGS

The Council posted journals amounting to N\$ 7 230 960 relating to 2019. However, these balances still form part of the current year correction (2021-2022 financial year). Furthermore, no supporting documents were provided to substantiate journal entries amounting to N\$ 9 565 988.

It is recommended that the Council ensures that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii).

2.6 TRADE AND OTHER RECEIVABLES

A difference of N\$ 2 074 830 was observed between an amount of N\$ 50 079 354 in the annual financial statements and N\$ 48 004 524 in the age analysis. It is recommended that the Council should ensure that variances are reconciled.

2.7 NON CURRENT ASSET (AMORTISATION)

The Council disclosed the total amount of N\$ 3 525 051 for Build Together Program as a non-current trade and other receivable. Furthermore, the Council did not provide the amortisation schedule for the auditor to assess the current and or non-current portion of the loan. It is recommended that the Council should ensure that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii) and account balances are properly classified.

2.8 UNRECORDED LIABILITIES

Liabilities amounting to N\$ 1 680 706 were processed upon payment on 11 August 2022 and not accrued within the current financial year. It is recommended that the Council perform monthly creditor reconciliations, in order to ensure that the outstanding reconciling items are accounted for on a timely basis.

2.9 INTANGIBLE ASSETS

The Council did not disclose its accounting policy related to the subsequent measurement of Intangible Assets as required by IPSAS 31. It is recommended that the Council updates its accounting policy to ensure that Intangible Assets are fairly stated in the annual financial statements.

2.10 DISPOSAL/RETIREMENT OF ASSETS

The Council did not provide supporting documents, apart from the journals, for items written off due to damage amounting to N\$ 1 593 331. Furthermore, Council did not assess its assets for impairment in accordance with IPSAS 1. It is recommended that the Council ensure that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii). It is further recommended that the Council comply with IPSAS 1.

2.11 WIP TRANSFER TO INFRASTRUCTURE

A difference of N\$ 1 258 613 is observed between the WIP transferred to infrastructure amounting to N\$ 7 287 418 and addition to infrastructure amounting to N\$ 8 546 031. It is recommended that the Council should ensure that reconciliation is regularly performed and variances are confirmed and rectified.

2.12 PRESENTATION OF BUDGET INFORMATION

The Council did not disclose the actual amounts on a comparable basis to the budget and did not explain in the notes to the financial statements the budgetary basis and classification basis adopted. This is in non-compliance to IPSAS 24. Council is recommended to comply with IPSAS in compiling their financial statements.

2.13 RELATED PARTY DISCLOSURE

The Council did not disclose information related to related parties, in particular, key management personnel. This includes information such as the aggregate remuneration of key management personnel and loans made to key management. This is not in compliance to IPSAS 20. The Council is recommended to comply with IPSAS in compiling their financial statements.

2.14 PROPERTY, PLANT AND EQUIPMENT COMPARATIVE NOTE

The Council did not disclose comparative figures for the reconciliation note for property, plant and equipment presented in the notes to the annual financial statements. This is in non-compliance to IPSAS 1. It is recommended that the Council should disclosed comparative information as required by IPSAS 1.

2.15 ALLOWANCE FOR DOUBTFUL DEBTS

A difference of N\$ 9 512 552 was observed between the recalculated allowance for doubtful debts amounting to N\$ 36 003 393 and the allowance for doubtful debts amounting to N\$ 26 490 841 as per the annual financial statements. The Council is recommended to ensure management checks are in place to ensure allowance for doubtful debt is fairly stated.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I do not have anything to report on this matter.

4. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or 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.

5. RECURRING MATTERS

5.1 INVESTMENT IN NORED ELECTRICITY (PTY) LTD

An investment made in NORED Electricity (Pty) Ltd amounting to N\$ 17 822 408 could not be validated, as the Council did not provided any share certificates. This finding was also reported in the 2021 audit report. For the year under review (2022) the Council reclassified investment to electrical infrastructure. However, the Council did not provide supporting documents to substantiate this transaction. It is recommended that the Council provided supporting documents for the investment in NORED and/or the transfer from Investment to Electrical infrastructure.

5.2 PROVISION FOR DUMP SITE

The Council did not make a provision for the rehabilitation and restoration of the dumping site after its useful life in accordance with IPSAS 17 and IPSAS 19. This finding was also reported in the 2021 audit report. It is recommended that the Council should make a provision for the restoration and rehabilitation of the dumpsite in accordance with IPSAS 17 and IPSAS 19.

5.3 OPEN LANDS

The Council did not disclose its open lands in the financial statements. This is in non-compliance to IPSAS 23. This finding was also reported in the 2021 audit report. It is recommended that the Council should disclose its open lands.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

6.1 EXPENDITURE

The Council did not comply with the Public Procurement Act for a transaction pertaining to a workshop for the financial services amounting to N\$ 17 200. The procurement of the service did not allow for a competitive bidding as required in the Public Procurement Act No.15 of 2015. The Council is advised to comply with the Public Procurement Act of 2015.

7. 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 Standard (IPSAS) and the relevant legislations, 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.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance, is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 (ISSAIs), I exercise professional scepticism throughout the audit.

- 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 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 the opinion. My conclusions are based on the audit evidence obtained up to the 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 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 the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SECTION B: AUDIT OF PERFORMANCE INFORMATION

1.1 AUDIT OF KEY PERFORMANCE INFORMATION

I conducted an audit on the performance information of Nkurenkuru Town Council consecutively with the audit of financial statements for the year ended 30 June 2022.

1.2 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timelines.

The primary function of the PMS is to enable Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

1.3 AUDIT OBJECTIVE

The objective of the Key Performance Indicator (KPI) audit is to provide assurance whether the reported performance information measured against key performance indicators is useful, reliable and evidence-based. Key performance indicators also provide the basis for the Council to inform the Parliament, the public and other stakeholders about its strategic priorities, programs and projects.

1.4 AUDIT CRITERIA

The audit was mainly concentrated on two (2) criteria, namely:

- Usefulness of reported performance information in terms of measurability and relevancy of indicators, as well as consistency of use of indicators throughout the period under review; and
- Reliability of reported performance information in terms of whether the actual reported performance did occur and was reported accurately.

1.5 KEY AUDIT FINDINGS

It was observed the Council has a draft Strategic plan encompassing the financial period ending 30 June 2022 and operationalized its Performance Management System on the 1st of July 2022 in compliance to a directive from the Ministry of Urban and Rural Development.

The Council has started the process of signing performance agreements, however, due to the Council's decision to review the Performance Management System and implement an electronic system, no reviews of the performance of the Council was performed at institutional, departmental and individual level. This resulted in there being no Annual Report for the financial period ending 30 June 2022 in place during the period under review.

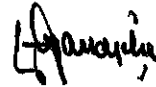
It is recommended that finalizes its Strategic Plan and implements a Performance Management System as a matter of urgency to ensure the attainment and adequate documentation of strategic objectives.

1.6 CONCLUSION ON SUBJECT MATTER

Because of the significance of the key audit findings section of my report, I have not been able to obtain sufficient appropriate evidence to form a conclusion on the Key Performance Information of the Council. Accordingly, I do not express a conclusion.

9. ACKNOWLEDGEMENT

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



WINDHOEK, October 2023

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

TOWN COUNCIL OF NKURENKURU
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

| | | 2022 | 2021 |
|--|------|---------------------|---------------------|
| | Note | N\$ | N\$ |
| ASSETS | | | |
| Current Assets | | 27 343 881 | 15 157 239 |
| Cash and Cash Equivalents | 5 | 982 454 | 730 139 |
| Trade and Other Receivables | 6 | 26 196 549 | 14 427 100 |
| Inventory | | 159 279 | - |
| Prepayments | | 5 599 | - |
| Non-current Assets | | 98 855 012 | 93 028 254 |
| Property, Plant and Equipment | 2 | 73 370 945 | 70 246 565 |
| Intangible Assets | | 271 527 | 271 527 |
| Land and Buildings | 3 | 11 084 417 | 6 700 682 |
| Work In Progress | 4 | 10 603 072 | 12 058 862 |
| Trade and Other Receivables | | 3 525 051 | 3 750 619 |
| TOTAL ASSETS | | *126 198 893 | *108 185 493 |
| NET ASSETS AND LIABILITIES | | | |
| Current Liabilities | | 4 020 161 | 4 834 663 |
| Trade and Other Payables | 7 | 3 856 887 | 4 673 920 |
| Current portion of employee benefits | | 163 274 | 160 743 |
| Non-current liabilities | | | |
| Employee Benefits | | 1 359 486 | 1 359 486 |
| Net Assets | | 120 653 477 | 97 678 118 |
| Accumulated Fund | | 110 916 778 | 93 754 604 |
| Surplus/Deficit | | 9 736 699 | 3 923 515 |
| Total Net Asset and Liabilities | | *126 033 123 | *103 872 267 |

*The statement of financial position is not balancing. The differences are reported under section 2.2 of the audit report.

ANNEXURE B

TOWN COUNCIL OF NKURENKURU

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

| | Note | 2022 N\$ | 2021 N\$ |
|---|------|-------------------|-------------------|
| Revenue from exchange Transactions | | 26 516 844 | 21 896 149 |
| Revenue from Exchange Transactions | 8 | 26 335 940 | 21 736 791 |
| Other Revenue | 9 | 180 904 | 159 358 |
| Revenue from non-exchange Transactions | | 7 691 592 | 11 419 808 |
| Transfer from other government entities | 10 | 5 804 359 | 9 655 102 |
| Non-exchange transactions | 11 | 1 887 233 | 1 764 706 |
| Total Revenue | | 34 208 436 | 33 315 957 |
| Expenses | | 24 471 737 | 29 392 442 |
| Wages, Salaries and Employees Benefits | 12 | 10 608 633 | 10 035 826 |
| Supplies and Consumables | 13 | 312 314 | 220 653 |
| Depreciation and Amortization | 14 | 5 247 807 | 4 897 371 |
| Other Expenses | 15 | 8 025 199 | 13 972 569 |
| Non-operating expense (finance cost) | | 277 783 | 266 023 |
| Surplus for the year | | 9 736 699 | 3 923 515 |

ANNEXURE C

TOWN COUNCIL OF NKURENKURU
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

| | 2022 | 2021 |
|--|-------------------|--------------------|
| | N\$ | N\$ |
| Cash Flow Activities | | |
| Receipts | 27 869 307 | 27 993 735 |
| Sales of goods and services | 22 001 352 | 18 298 523 |
| Grants | 5 804 359 | 9 655 102 |
| Interest | 30 850 | 23 579 |
| Other Receipts | 32 747 | 16 531 |
| Payment | 24 109 641 | *29 120 666 |
| Employee Cost | 10 608 633 | 10 035 826 |
| Suppliers | 13 223 225 | 18 809 059 |
| Finance Cost/Interest Paid | 277 783 | 266 023 |
| Net cash flow from operating activities | 3 759 666 | (1 126 931) |
| Cash flow from investing activities | ^3 507 351 | - |
| Purchases of plant and equipment | 123 700 | - |
| Work in progress | 3 383 651 | - |
| Net cash increase/(decrease) in cash and cash equivalents | 252 315 | (1 126 931) |
| Cash and cash equivalents at beginning of the period | 730 139 | 1 857 071 |
| Cash and cash equivalents at end of the period | 982 454 | 730 139 |

*The cash payments for employee cost, suppliers and finance cost is not tallying to the total payment of N\$ 29 110 908

^The Council did not use brackets for negative figures consistently.

ANNEXURE D

TOWN COUNCIL OF NKURENKURU

STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDED
30 JUNE

| | Accumulated Surplus/Deficit |
|--|--|
| | N\$ |
| Balance as at 01 July 2020 | 8 159 387 |
| Changes in accounting policies, errors, and corrections | |
| Correction prior year | 101 913 991 |
| Reinstated balance | 93 754 604 |
| Surplus for the period | 3 923 515 |
| Balance as at 01 July 2021 | 97 678 119 |
| Changes in accounting policies, errors, and corrections | 13 238 659 |
| Reinstated balance | 110 916 778 |
| Surplus for the period | 9 736 699 |
| Net Assets/Equity as at 30 June 2022 | 120 653 477 |

ANNEXURE E

TOWN COUNCIL OF NKURENKURU

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

| | Budgeted amount | Actual amount | Variances |
|--|--------------------|--------------------|----------------------|
| | N\$ | N\$ | N\$ |
| Receipts | 41 247 629 | 34 208 436 | 7 039 193 |
| Receipts from Exchange Transactions | 30 120 004 | 26 516 844 | 3 603 160 |
| Revenue from exchange transactions | 28 931 004 | 26 335 940 | 2 595 064 |
| Other Revenue | 1 189 000 | 180 904 | 1 008 096 |
| Rates and Taxes | | | |
| Receipts from Non-exchange Transactions | 11 127 625 | 7 691 592 | 3 436 033 |
| Transfers from other government entities | 8 727 625 | 5 804 359 | 2 923 266 |
| Subsidy RFA | 2 400 000 | 1 887 233 | 512 767 |
| Total Expense | 34 614 254 | 24 471 737 | 10 142 517 |
| Salaries Wages and Allowances | 11 826 315 | 10 608 633 | 1 217 682 |
| Supplies and consumables | 567 602 | 312 314 | 255 288 |
| Depreciation and amortization | - | 5 247 807 | (5 247 807) |
| Other Expenses | 21 820 337 | 8 025 199 | 13 795 138 |
| Other Expenses | 400 000 | 277 783 | 122 217 |
| Net Receipts/(Payments) From Operating Activities | 6 633 375 | 9 736 699 | (3 103 324) |
| Assets | | | |
| Current Assets | | 27 343 881 | (27 343 881) |
| Cash and Cash Equivalents | - | 982 454 | (982 454) |
| Trade and Other Receivables | - | 26 196 549 | (26 196 549) |
| Inventory | - | 159 279 | (159 279) |
| Prepayments | - | 5 599 | (5 599) |
| Non-current Assets | 15 799 375 | 98 855 012 | (83 055 637) |
| Property, plant and equipment | 1 323 587 | 73 370 945 | (72 047 358) |
| Intangible Assets | - | 271 527 | (271 527) |
| Land and Buildings | - | 11 084 417 | (11 084 417) |
| Work In Progress | 14 475 788 | 10 603 072 | 3 872 716 |
| Trade and Other Receivables | - | 3 525 051 | (3 525 051) |
| TOTAL ASSETS | 15 799 375 | 126 198 893 | (110 399 518) |

ANNEXURE E

TOWN COUNCIL OF NKURENKURU

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

| | Budgeted amount | Actual amount | Variances |
|--|----------------------------|--------------------------|----------------------|
| | N\$ | N\$ | N\$ |
| NET ASSETS AND LIABILITIES | | | |
| Current Liabilities | 1 100 000 | 4 020 161 | (2 920 161) |
| Trade and Other Payables | 1 100 000 | 3 856 887 | (2 756 887) |
| Current portion of employee benefits | - | 163 274 | (163 274) |
| Non-current liabilities | | | |
| Employee Benefits | - | 1 359 486 | (1 359 486) |
| Total Liabilities | 1 100 000 | 5 379 646 | (4 279 646) |
| Net Assets | 6 633 375 | 120 653 477 | (114 020 102) |
| Accumulated Fund | - | 110 916 778 | (110 916 778) |
| Surplus/Deficit | 6 633 375 | 9 736 699 | (3 103 324) |
| Total Net Asset and Liabilities | 7 733 375 | 126 033 123 | (118 299 748) |

TOWN COUNCIL OF NKURENKURU
STATEMENT OF COMPARISONS OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE 2022

Comments on variances between budgeted and actual amounts

Revenue from exchange transactions

The variance of 91 % from budget amount from services charges is as a result of the Council not levying revenue as initially anticipated due to non-availability of services at certain areas.

Transfers – Namibia Government

The budgeted amount could not be paid in the financial period due to delay from the line Ministry to transfer funds thus this was utilised in the following period.

Non-Exchange Transactions

The 79 % below budgeted amount was caused by the declined in additional properties which were transfer to the owner, pending the document that we could not obtain from Ministry of Land. Only minimal rates and taxes were added on the system.

Salaries and Employee Benefits

On this vote the Council could only reach 90 % of the budgeted figures as per our accounting policy this immaterial however the shortage was caused by the salary increment's provision that we did and we are still waiting for Ministerial approvals.

Supplies and Consumables

The Council only spend 55 % of the budgeted figure as this vote is for emergency used and the Council has no control on its utilisation as its part of the daily operation cost.

Other Expenses

The Council only manage to spend 37 % of the budgeted amount, this is due to lack of funds as the Council only spend when there is funds available.

Non operation expenses

The Council only manage to spend 67 % of the total budgeted amount, this is due to lack of funds as the Council only spend when there is funds available.

Depreciation

The non-cash item was not budgeted for. With accrual basis IPSAS, the expense shall be budgeted for in all coming financial years.

Compensation

The compensation vote was spent as per budget.

Leave and Bonus provision

The Council only assess the remaining at the end of the period as every employee is expected to utilise their leave days during the year.

TOWN COUNCIL OF NKURENKURU
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2022

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICY

The financial statement has been prepared in accordance with accrual basis in the International Public Sector Accounting Standard (IPSASs). The financial statement has been prepared using the historical accounting basis. IPSAS 33 allows a first-time adopter a period of up to 3 years to recognize and/or measure certain assets and liabilities. In its transition to accrual basis IPSAS, the Council took advantage of exemptions that affect fair presentation for reporting financial information relating to International Public Sector Accounting Standard specific under IPSAS 33, First-time adoption of accrual basis, International Public Sector Accounting Standard. As a result, the Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its transitional IPSAS financial statement for the reporting period ended 30 June 2022.

The Council intends to recognize and/or measure, its asset and liability as specified in IPSAS 33 by 2023. With respect to unavailability of accounting policy in the financial years beyond 1 July 2019 the Council shall measure asset(s) and liability using accounting policies consistent with IPSAS to the extent of the availability of information relating to specific items.

Presentation, currency and rounding

The financial statements are presented in Namibian Dollar which is the Council's presentation and functional currency and all values including Councillors remuneration disclosures.

1.1 CHANGES IN ACCOUNTING POLICIES

Accounting policies applied to all IPSAS that the Council has adopted may not be consistent in some instances with how financial information was being reported in prior financial periods and beyond. IPSAS 3, allows a change in accounting policy where such a change:

- a) Is required by an IPSAS and
- b) Result in the financial statement 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 flow.

1.2 TRANSITIONAL EXEMPTION THAT DO NOT AFFECT FAIR PRESENTATION

In its transitional financial statement, the Council adopted the following IPSAS which do not affect fair presentation and applied their provisions in full unless stated otherwise.

TOWN COUNCIL OF NKURENKURU
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2022

IPSAS 1 Presentation of Financial Statements

This standard set of consideration for the presentation of financial statement and offers guidance for the structure of these statements and minimum requirements for their content under the accruals basis of accounting. Further, the standard encouraged the presentation of comparative figures but does not make the presentation of comparative figures mandatory. In its third year of the of the three-year transitional period, the Council opted to present comparative figures.

The Council disclosure

Disclosures follow the prescribed IPSAS 1, presentation of financial statement. Additional line items, subheadings are added where necessary. Other disclosures required should include the judgments that management made in the process of applying accounting policies.

IPSAS 2 Statement of Cash Flow

This standard requires the provision of information about the changes in cash and cash equivalents during the financial period from operating, investing and financing activities.

The Council disclosure

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 Council shall be adjusted for the effects of non-cash transactions in the reconciliation surplus or deficit to the net cash flows to note.

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors

This standard prescribed the criteria for selecting the changing accounting policies together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and errors.

The Council disclosure

Changes to accounting policies shall be applied retrospectively by restating prior year financial statements unless impractical. Changes in accounting estimates shall be applied in the financial period of change and prospectively. All changes relating to IPSAS adoption shall be applied in the year of adoption and prospectively except for opening balances which will be restated for initial transition to IPSAS. Correction of material errors in the preparation of financial statement of one or more periods are corrected retrospectively by restating comparative to period amounts. Where IPSAS does not provide guidance as to whether a change is a change in accounting policy or a change is in accounting estimates, the change shall be considered to be a change in accounting estimate.

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IPSAS 14 Events after the Reporting Date

This standard prescribed when the entity should adjust its financial statements for events after the reporting date and the disclosure that the entity should give about the date when the financial statements were standardized for issues and about events after the reporting period.

The standard also requires that an entity should not prepare its financial statement on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate. (If those responsible for the preparation of the financial statement or the governing Council determined after the reporting date that there is no realistic alternative but to do so.)

The Council disclosure

The Council shall disclose the date when the financial statement was authorized for issue and the name and identity of the person giving the authorization. No other body shall have the power to amend or direct the amendment of the financial statement except the auditor general directing such amendment in terms of the statutory audit for the purpose of adding value to the Council's financial reporting.

IPSAS 19 Provision, Contingent Liabilities and Contingent Assets

The objective of this standard is to identify the circumstances in which provision contingent liabilities and contingent assets should be recognized, how they should be measured and the required disclosures in the financial statements.

The Council disclosure

The Council is guided by the definition of an obligation as per the standard. The Council shall record an obligation that derives from a contract (through its implicit and/or explicit terms), legislation or operation of the law (legal obligation), and an obligation that derives from the Council's action whereby an established pattern of past practice, publish policies or sufficient specific current statements. The Council has indicated to other parties that it will accept certain responsibilities and as a result the entity has created a valid expectation on the part of those other parties that it will discharge the obligation.

IPSAS 20 Related Party Disclosure

The objective of this standard is to set the disclosure requirement of for transactions between the Council and its related parties in certain circumstances. Related party relationships are disclosed in the notes to the financial statement. Transaction where they occur within a normal relationship of supplier and recipient and on arm's length terms are also disclosed. The Council disclosure, the Council shall disclose related party transactions and management remuneration (including an analyst by type of remuneration). With respect to related parties, the Council shall disclose the nature of the related party relationship and type of transaction that they have occurred.

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IPSAS 21 Impairment of Non-Cash Generated Assets

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

The Council disclosure

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

IPSAS 24 Presentation of Budget Information in the Financial Statements

Requires a comparison of budget amount and actual amount arising from the execution of the budget to be included in the financial statements of the Council since it is required to make publicly available its approved budget and for which the Council is therefore held accountable.

The Council disclosure

The Council shall disclose reconciliation between actual amounts on a comparable basis in the statement of comparison of budget and actual amount. The Council shall disclose the budgetary basis and classification basis adopted in the approved budget and the financial period of the approved budget. Explanation of variances between the final budget and actual as presented in the comparison shall be disclosed to in the notes to the financial statements.

IPSAS 28, 29, and 30 Financial Instruments, Presentation Recognition, Measurement and Disclosure

These standards entail the criteria for recognizing financial instruments in the Council's financial statements and the measurement of the carrying value and the provision of information about factors that affect the amount, timing and certainty of future cash flows related to financial instruments and the risks associated to those financial instruments. For the Council, the main financial instruments are accounts receivables and accounts payables. The cash pool balance is treated as cash and cash equivalence.

The Council disclosure

The Council will disclose information as required by IPSAS 30. IPSAS 30 requires disclosure information about significance of financial instruments for the Council's financial position and financial performance.

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IPSAS 31 Intangible Assets

This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard requires an entity to recognize an intangible asset if and only if specific criteria are met. The standard further specifies how to measure the carrying amount of intangible asset and requires specifically disclosure about intangible assets. The standard IPSAS 31 form part of the regime of standards whose adoption affects fair presentation as per IPSAS 33, paragraph 33.

The Council disclosure

The 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 amortization of intangible assets is included and a reconciliation of the carrying amount at the beginning and end of the period. The council shall further disclose the movement table showing changes in carrying amount and accumulated amortization and details about impairment of intangible assets if any in the notes to the financial statements.

Expense Recognition

Under IPSAS, there is no specific standard that prescribed the accounting treatment of expenses and expense recognition. The accounting for this area arise from fundamental principle of accrual basis accounting. As per IPSAS 1 presentation of financial statement under accrual basis expenses are recognized when the transition or even that cause the expense occurs. Experience shall be analysed by nature in the statement of surplus or deficit.

The accounting policy which related to the IPSASs set out above have been developed and adopted by the Council and were applied in presenting its financial information for the year beginning 1 July 2019. The accounting policies from part of the financial statements and are subject to continuous review and improvement during the transitional of period.

1.3 TRANSITIONAL EXEMPTION THAT AFFECT FAIR PRESENTATION

As a first time adopter of International Public Sector Accounting Standard (IPSAS) the Council has taken advantage of transitional exemptions that provide a 3-year relief for the following IPSASs: IPSAS 12 Inventories, IPSAS 17 Property Plant and Equipment, IPSAS 29 Financial Instruments: Recognition and Measurement.

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

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1.4 IPSAS NOT ADOPTED BY THE COUNCIL

International Public Sector Accounting Standard listed below have not yet been adopted for the purpose of reporting financial information for the year 30 June 2022. Management shall apply any of the IPSAS where the Council's future transactions render it necessary to apply the provision 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 13 leases, IPSAS 16 impairment of cash generating assets, IPSAS 27 agriculture, IPSAS 32-service concession arrangement grantor, IPSAS 34 separate financial statements, IPSAS 36 investment in associate and drain venture, IPSAS 37 joint arrangement, IPSAS 38 disclosure of interest in other entities, IPSAS 40 public sector combinations

1.5 SIGNIFICANT JUDGMENTS AND SOURCE OF ESTIMATES UNCERTAINTY

In the preparation of these financial statements, management is required to make estimates and assumptions that affect the amount presented in these annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the making of estimates. Actual results in the future could differ from these estimates which could be material to the annual financial statements. The Council may receive information after the date of adoption IPSAS about estimates that it had made under the previous basis of accounting. The Council shall account for such information in the same way as non-adjusting events in accordance with IPSAS 14 events after the reporting period. This however, shall not apply where estimates were in error or the adjustment is due to difference in accounting policies. Judgments exercised by management incorporate recent development regarding the impact of the corona virus and its implication on the Council's financial reporting.

Provision, Contingent Liabilities and Contingent Assets

Management shall establish the requirement for the recognition of provisions and disclosure of contingent liabilities and contingent assets. In light of the corona virus (an even that exists as at the reporting date) management action are only accounted for as a provision to the extent that there is a present obligation for which the outflow of economy benefits is probable and can be reliable measured.

Accounts Receivables, Loans and Other Receivables

The Council assess its accounts receivables, loans and other receivables at the end of each reporting date. In determining whether any impairment loss should be recorded in surplus or deficit, management make judgment based on past practice or observable data indicating a measurable decrease in the estimated future cash flows from financial asset. As a prudent precaution on accounts receivables, management shall make an allowance for credit losses where an allowance for credit losses shall be shown as an expense in the statement surplus or deficit. Accounts receivables shall be presented on the face of the statement net of allowance for receivables.

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Management judges that the directive from the government issued in 2019 requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) has increase uncollectable receivables as some customers were already defaulting on payments before the corona virus pandemic.

Allowance for slow moving obsolete or damage inventory items

Inventory items will be written down to the lower cost and net realisable value.

Useful life of items of property, plant and equipment

Management determines the useful life of all items of property, plant and equipment and the related depreciation charges. Management shall assess the useful lives of items of property, plant and equipment every year and where useful lives are less than previously estimated a review shall be performed to increase the useful life of the respective items.

1.6 OFFSETTING

Asset and liabilities, and revenue and expenses are reported in these financial statements separately and shall not be offset unless required or permitted by an IPSAS.

1.7 VALUE ADDED TAX (VAT) ON GOODS AND SERVICES

Items in the financial statement are stated exclusive of value added tax, except for accounts receivable and accounts payables which are presented on a value added tax inclusive basis. Where value added tax is not recoverable it forms part of the state asset or expense. Commitments or contingencies are disclosed exclusively of value added tax.

1.8 BUDGET INFORMATION

The budget figures for the Council are those approved by the Ministry of Urban and Rural Development. General purpose financing reporting by the Council shall provide information on whether resources were deployed in accordance with the set limit and provision of the respective legislative oversight.

The approved budget is prepared on the modified cash basis and covers the financial period beginning 1 July 2021 and ending 30 June 2022.

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Comparative information shall not be required for the budget

Difference between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variance shall be explained in the statement of comparison of budget and actual amounts have been prepared on the full accrual basis. A separate statement of comparison of actual and budget has henceforth being presented and forms part of these financial statements.

1.9 GOING CONCERN

These financial statements have been prepared using accounting policies applicable to going concern. This basis, presumes that funds will be available to finance future operations and that the realizations of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the Council's operations.

Management judges that considerations for the potential implication of corona virus and the measurement taken to control it when assessing the entity's ability to continue is a going concern are critical. Further, management judges that the government locked down program is a material development which could have reasonably been expected to affect other parts of the country post reporting date.

1.10 REVENUE

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

1.10.1 REVENUE FROM EXCHANGE TRANSACTIONS

An exchange transaction is one in which the Council received assets or services or has liabilities extinguish and directly gives approximately equal value to the other part in exchange. Fair value is the amount for which asset can be exchanged or liability settled between knowledgeable wealthy 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 Council shall recognize revenue by reference to the stage of completion of the transaction at the reporting date.

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The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably, it is probable that future economy benefits or services 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 cost incurred for the transaction and the cost 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 recognized on the straight line basis over the specified time frame unless there is evidence that some of other method better represent the state 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 service cannot be estimated reliably, revenue is only recognized to the extent of the expense recognize that are recoverable. Services revenue is recognized by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by survey of the work performed.

Sale of goods

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

- The Council has transferred to the purchaser the significant risk of rewards of ownership of the goods;
- The Council retained 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 services potential associated with the transaction will flow to the Council and the cost incurred or to be incurred in respect of the transaction can be measured reliably. As for land sales the Council requires their 3 criteria be meet for revenue to be recognized. The purchase must obtain the Council approval (based on the Council selection criteria) to qualify to purchase a plot(s) of land. The purchase must obtain Ministerial approval for the purchase of an identified portion of land and a full payment of the purchase price must be made by the purchase to the Council. Where the above criteria is not met proceeds received by the Council from potential purchasers are accounted for as liabilities.

Measurement

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

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Services charge relating to solid waste, sanitation and sewerage are levied in terms of approved tariffs. Services charges relating to water are based on consumption. Meters read on a monthly basis and revenue is recognized in the period when the consumption took place. Provisional estimate of consumption is made monthly when meter reading are not performed. Adjustments to provisional estimate of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period. Services provide on a pre-payment basis are recognized at a point of sale. An adjustment to an unutilized portion is made at year end based on the average consumption history.

1.10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

The Council is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transaction for reporting periods beginning on date within 3 years of first-time adoption of this standard. However, the Council IPSAS task force recommended the application transitional provision to the extent necessary to achieve compliance with this IPSAS. An amount collected by the Council is agent of the government or other third parties do not meet the definition of revenue. Control of an asset arise when the Council can use or otherwise benefit from the asset in pursuit of its objective and can exclude or regulate the excess to that benefit.

Non exchange transactions are transactions that are not exchange transaction. In a non-exchange transaction, the Council receives value from another party without directly giving approximately equal value in exchange. Conditions on transferred assets are stipulation that specify that future economy benefits or services potential embodied in the asset is required to be consumed by the Council as specified or services potential must be returned to the transferor. Restrictions on transferred assets are stipulations that limit or direct the purpose for which a transfer asset may be used but not specify that future economy benefits or services potential is required to be returned to the transferor if not deployed as specified.

Taxes such as property rates are economic benefits or services potential compulsorily paid to the Council in accordance with the law 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

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

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1.11 PROPERTY, PLANT AND EQUIPMENT

The Council has adopted IPSAS as set out in the basis for preparation paragraph above. Among the IPSAS adopted is IPSAS 17 property, plant and equipment. In its previous basis of accounting the Council did not have an accounting policy for the recognition and measurement of its items of PPE that is consistent with IPSAS 17. The Council is in the process of recognising and/or measuring its items of property, plant and equipment for inclusion in the financial statements during the transitional period beginning 1 July 2019. The Council is in the process of recognizing measuring items of property, plant and equipment necessitates a continuous development of accounting policies relating to those items of property, plant and equipment subsequently brought to the statement of financial position.

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

Recognition

The cost of an item property, plant and equipment is recognized as an asset when the following criteria are met:

It is probable the future economic benefits, or services potential associated with the item of PPE flow to the Council the cost of the item can be measured reliably.

Initial measurement

An item of property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and the other cost attributable to bringing the asset to its present location and condition necessary for it to be capable of operating in the manner intended by management. Trade discount and rebates are deducted in arriving at cost. Where an item of PPE is acquired in exchange for non-monetary assets or monetary asset or a combination of monetary and non-monetary assets the asset acquired is initially measured at fair value. If the acquired items fair value was not determinable its deemed cost is the carrying amount of the asset given up. Where asset is acquired through a non-exchange transaction its cost is its fair value at the date of acquisition. When significant components of an item of PPE have different useful life they are accounted for as a separate item (major components) of PPE.

The cost of an item of PPE includes costs incurred initially to acquire or construct an item of PPE and cost subsequently incurred to add to and/or to replace part of the item of PPE. If a replacement cost is to recognize in the carrying amount of an item of PPE, the carrying amount of the replaced item of PPE is de-recognized.

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The initial estimate of the costs of dismantling and removing the item and restoring the site in which it is located is also including the cost of PPE where the 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 purpose other than the production of inventories. Recognizing of cost in the carrying amount of an item of PPE ceases when the item is in the location and condition necessary for it to be operated in 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. Major inspection cost which are a condition of continuing use of an item of PPE and which meet the recognition criteria above are included as a replacement in the cost of item of PPE. Any remaining inspection costs from the previous inspection are de-recognized. PPE is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated. PPE items are depreciated using the straight line depreciation method over the items useful life. Items of PPE 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 life and depreciation method shall be reviewed annually and changes shall be recognized prospectively as a change in accounting estimate in the statement of surplus or deficit. 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 fixed asset register for the purpose of completeness and monitoring pending disposal. Items of PPE are de-recognized when the asset is disposed of or when they are no further economic benefits or service potentially expected from the use of the asset. Gains or losses arising from the de-recognized of an item of PPE are recognized in the statement of surplus or deficit as other income. The gain or loss arising from the de-recognized of an item of PPE is determined as the difference between the net disposal process (if any) and the carrying amount of the item.

Assets which the Council holds for rental to other and subsequently routinely sells part of the ordering course of activities are transferred to inventories when the rentals end and they are available for sale. These assets are not accounted for as non-current asset held for sale. Proceeds from sales of these assets are recognized as revenue. Profit or losses from the disposal of these assets are included in the cash flow statement under operating activities. Each part of any item of PPE 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 recognized in the statement of surplus or deficit unless it is included in the cost of another asset. Items of property, plant and equipment are depreciated on a straight line basis over their estimate useful life.

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

| Type of Asset | Depreciation Method | Useful Life |
|------------------------|---------------------|-------------|
| Land and Buildings | Straight Line | 10 – 50 |
| Computer Equipment | Straight Line | 3 – 5 |
| Infrastructure | Straight Line | 10 – 50 |
| Furniture and Fittings | Straight Line | 5 – 10 |
| Motor Vehicle | Straight Line | 5 – 20 |
| Office Equipment | Straight Line | 2 – 20 |

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The useful life of each item of property, plant and equipment is reviewed at the end of each reporting date. If the expectation differs from previous estimates, the change is accounted for as a change in accounting estimate.

1.12 SITE RESTORATION AND DISMANTLING COSTS

The Council have an obligation to dismantle, remove and/or restore items of property, plant and equipment in the circumstances where dismantlement, removal or restoration is necessitated. At recognition of an item of PPE, the costs shall include the initial estimate of costs of dismantling and removing the item and restoring the site to site on which it is located as a consequence of having used the item during a particular period for the purpose other than to produce inventories during the period. This accounting policy is attributed to the dumb site under ownership and control of the Council. Measuring using the cost matter:

- a) Subject to (b), changes in the liability are added to or deducted from the cost of the related asset in the current period.
- b) If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of surplus or deficit,
- c) If the adjustments result in an addition to the cost of the asset, the Council consider whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognized in the statement of accumulated surplus or deficit, on the date of the adoption of the subsequent accounting periods within the transitional period. the Council may rely on further guidance in accordance with the accounting policy on impairment of cash generating assets and/or impairment of non-cash generating assets

1.13 INVENTORIES

Inventories are initially measured at cost, except where inventories are acquired through a non-exchange transaction, then the cost is the fair value at the date of acquisition. Subsequently, inventories are measured at the lower of cost and net reliable value. Net realisable value is the estimated selling price in the ordinary course of operation, less the estimated cost of completion and the estimated cost necessary to make the sell, exchange or distribution. The cost of inventories comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to the present location and condition. The cost of inventories shall be determined using the first in first out formula (FIFO). The same formula is used for all inventories having similar nature and use to the Council.

When inventories are sold and/or used, the carrying amounts of these inventories are recognized as expressed in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or serviced are rendered. The amounts of any write down of inventories to net realisable value and all losses on inventories are recognized as an expressed in the period the write down or loss occurs.

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The amount of any reversal of any write down of inventories arising from an increase in net realisable value are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

1.14 PROVISION AND CONTINGENCY

The Council has a present obligation as a result of past events it is probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation. A reliable estimate can be made of the obligation. The amount of the provision is the best estimate of the expenditure expect 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 provision is the present value of the expenditure expected to be acquired to settle the obligation. Where some or all of the expenditure required to settle the provision is reimbursed by another part, the reimbursement is recognized when and only when it is virtually certain that the reimbursement will be received. The reimbursement 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 probable that an outflow of resources, embodying economic benefits or services potential will be acquired to settle the obligation. A provision is used only for the expenditures for which the provision was initially recognized. Provisions are not recognized for future operating deficit if the Council has onerous contract the present obligation (net of recoveries) under the contract is recognized and measured as a provision.

1.15 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by the Council in exchange for services rendered by employees. There are four categories of employee benefits: short term employee and benefits, post employee benefits, other long term employee benefits, termination benefits. These categories are explained below together with the Council's employee benefits included in these categories.

Short Term Employee Benefits

Short term employee benefits are benefits payable within a year of the end of the year in which an employee render services. Within the Council o, this category includes wages and salaries, fixed and variable allowance, social security contribution, paid, sick leave, and variable short term remunerations. The cost of these employees' benefits are recognized in the statement of surplus or deficit when the services is rendered or the rights to benefits are accrued.

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Post –Employment Benefits

These are employee benefits that fall due after the completion of employment. They include pension and job related early retirement. The Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN). The retirement of fund was established in March 1992 and is registered in terms of both the Pension Fund Act, No 24 of 1956 and Income Tax Act. The pension plan is registered as a group scheme involving more than one employer qualifying it as a defined contribution plan because:

- The affiliated employers have no supplementary obligation to make additional contribution in the event of deficit at RFLAUN nor are they entitled to any surpluses in addition to paying the premium set by RFLAUN.
- The members bear the actuarial and investment risk in full.
- Each year the premium is set by RFLAUN board on the basis of its own file data, with due regard prescribe parameters or requirements.

Accordingly, in measuring the obligation arising from the pension plan, the Council recognize pension contribution payable as an expense in the statement of surplus or deficit.

Other Long-Term Employee Benefits

These are employee benefits which do not wholly fall due within a year of the end of the period in which the employee renders the service.

Termination Benefits

These are benefits paid as a result of the Council's decision to terminate an employees' employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognized in full in the statement of surplus or deficit as soon as the decision is made. Termination benefits are recognized at the present value of the obligation.

1.16 UNAUTHORIZED EXPENDITURE

Unauthorized expenditure means:

- Overspending on a vote or a main division within a vote.
- Expenditure not in accordance with the purpose of a vote, in the case of a main division not in accordance with the purpose of a main division.

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1.17 FRUITLESS AND WASTEFUL EXPENDITURE

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

All fruitless and unauthorized expenditure are recognized in the statement of surplus or deficit in the year in which they are incurred. The expenditure is classified in accordance with the nature of the experience and where covered it is subsequently recognized as revenue in the statement of surplus or deficit.

1.18 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations is recognized as a revenue to the extent that the Council has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met a liability is recognized.

1.19 DEBT FORGIVENESS

The Council recognizes revenue in respect to debt forgiveness when the former debt no longer meets the definition of a liability.

1.20 BEQUEST

Bequest that satisfy the definition of an asset are recognised as asset and revenue when it is probable that future economic benefits or services potential will flow to the Council and the fair value of the assets can be measured reliably.

1.21 GIFTS AND DONATION

Gifts and donation including goods in kind that satisfy the definition of an asset or recognizes as assets and revenue when it is probable that future economic benefits or services potential will flow to the Council and the fair value of the assets can be measured reliably.

Measurement

An asset acquired through a non-exchange transaction should initially be measured at its fair value at the date of acquisition. Revenue from non-exchange transactions should be measured at the amount of the increase in net asset recognized by the entity.

1.22 FINES

Asset arising from fines are measured at the best estimate of the inflow of resources to the Council.

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1.23 INVESTMENT

Where the carrying amount of an investment is greater than the recovery amount, the investment must be written down to its recoverable amount, and an impairment loss is charged to the statement of surplus or deficit in the year in which the impairment has occurred.

1.24 TRANSFERS

The Council recognized an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfies the recognition criteria as an asset.

1.25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances deposited held at call at financial institutions and short term highly liquid investment with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investment with an original maturity exceeding three months are excluded from cash and cash equivalent and report under accounts receivables. Bank overdrafts are included in the short term payables.

1.26 CUSTOMER ADVANCED PAYMENT

Customers advanced payments include all cash payments received or bank deposits in favour of the Council where such payments are in excess of services and/or products rendered to customers for billing periods ending with 30 June of every financial year. Advanced payments arise where services potentially change hands before services or products of equal value are offered in exchange.

The Council receive advanced payments on combined accounts with services rendered ranging from water, refuse, sewerage, plot sales and other. All advanced payments on combined billing shall be regarded as payments on the water accounts on which a debt is recorded.

1.27 LAND COMPENSATION

Land compensation involves voluntary handover of communal land to the Council in exchange for cash consideration as per compensation policy (per square meter) for all private privately owned land falling within proclaim area. The Council receive all voluntary consideration for sales of land from willing communal land owners occupying communal land within the proclaim area. The Council obtained the size of the land proposed for disposal by using its technical staff and staff from Ministry of Land Reform to obtain measurements (in hectares or square meters) followed by the determination of the amount of compensation per hectare in line with the government compensation policy. The Council creates a creditor based on the amount to be paid as compensation to the willing seller.

TOWN COUNCIL OF NKURENKURU

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| 2. Property, Plant and Equipment | 73 370 945 | 70 246 565 |
| Computer Equipment | 270 174 | 251 116 |
| Furniture, Fixtures and Fitting | 373 420 | 432 686 |
| Office Equipment | 21 673 | 84 795 |
| Plants and Machineries | 1 421 820 | 2 269 169 |
| Vehicles | 7 947 131 | 8 441 978 |
| Capital Infrastructure | 79 453 388 | 75 266 131 |
| Accumulated Depreciation Computer Equipment | (187 327) | (233 579) |
| Accumulated depreciation Office Equipment | (21 673) | (84 795) |
| Accumulated depreciation Plant and Machinery | (1 072 885) | (1 219 384) |
| Accumulated Depreciation Vehicles | (6 996 003) | (7 046 604) |
| Accumulated Depreciation Furniture, Fixture and Fittings | (306 357) | (419 260) |
| Accumulated depreciation Capital Infrastructure | (29 325 235) | (25 318 096) |
| Electrical Infrastructure | 22 181 181 | 17 822 408 |
| Accumulated Depreciation Electrical Infrastructure | (388 361) | - |
| 3. Land & Buildings | 11 084 417 | 6 700 682 |
| Building at Cost | 8 775 696 | 8 717 196 |
| Accumulated depreciation | (2 362 279) | (2 016 514) |
| Land at Cost | 4 671 000 | - |
| 4. Work in Progress | 10 603 072 | 12 058 862 |
| Construction of Expo Warehouse | 2 241 818 | 1 582 883 |
| Municipality Service Ext3 Phase 2 | 5 746 147 | 5 746 147 |
| Construction of Gravel Road Mayara | - | 1 731 506 |
| Electrification of Ext 3 Phase 3 | - | 2 042 142 |
| Water Reticulation (Kahenge) | - | 956 184 |
| Electrification of Ext 3 Phase 4 | 1 067 049 | - |
| Construction of Open Market | 191 991 | - |
| Water Tank Kahenge | 73 872 | - |
| Kahenge Ext 5 (Survey & Planning) | 352 800 | - |
| Kahenge Ext 6 (Survey & Planning) | 352 800 | - |
| Nkurenkuru Ext 10 & 13 (Survey and Planning) | 576 595 | - |

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

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | N\$ | N\$ |
| 5. Cash and cash Equivalents | 982 454 | 730 139 |
| Bank Operation/Current Account | 298 142 | 251 184 |
| Bank Call Account | 28 914 | 18 832 |
| Bank Standard Bank | 1 444 | 1 470 |
| Bank Current Account | 21 120 | 23 746 |
| Bank Call Deposit | 243 290 | 237 385 |
| Bank Revenue Account | 389 544 | 197 522 |
| 6. Trade and Other Receivables | 26 196 549 | 14 427 100 |
| Accounts Receivable | 50 079 354 | 37 532 660 |
| VAT control Account | 2 608 037 | 2 240 725 |
| Provision for Doubtful Debts | (26 490 841) | (25 346 284) |
| 7. Trade and Other Payables | 3 856 887 | 4 673 920 |
| Accounts Payables | - | 1 354 556 |
| Accrual Expenses (Creditors) | 1 146 728 | 1 302 273 |
| Salary Control | 3 820 | 306 822 |
| Bank Transfer (Build Together) | - | 1 532 934 |
| Suspense Account | 152 304 | 124 006 |
| Accrued Build Together Expenses/Income | - | 36 044 |
| Accrued Expo Fund Expenses/Income | (3 450) | (3 450) |
| Control Retention on Capital Project | 218,507 | - |
| Un-Earned Revenue | 2 335 028 | - |
| Accrued Build Together Expenses/Income | - | 17 286 |
| Suspense Account | 500 | - |
| Accrued Operation Fund Expense/Income | 3 450 | 3 450 |
| 8. Revenue From Exchange Transaction | 26 335 940 | 21 736 791 |
| Interest on Area | 3 042 148 | 2 289 813 |
| Donation/Pledges | 6 913 | - |
| Photocopies & Fax & Penalty Fees | 17 869 | 22 518 |
| Pigeon Box | 21 970 | 68 708 |
| Rental of community Hall | 40 450 | 94 220 |
| Fire Bridge Levy | 418 367 | 388 708 |

TOWN COUNCIL OF NKURENKURU

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

| | 2022 | 2021 |
|--|------------------|------------------|
| | N\$ | N\$ |
| Revenue From Exchange Transaction (continues) | | |
| 8. Revenue From Exchange Transaction | | |
| Sale of erven Residential | 4 221 673 | 3 564 963 |
| Animal ponding fees | 15 092 | 1 528 |
| Hire of Machinery/equipment | 24 014 | 17 198 |
| NKU beach | 2 400 | 3 844 |
| Sales of sand | 88 413 | 263 969 |
| Building plan fees | 346 232 | 205 871 |
| Occupational; rent/lease | 699 958 | 624 293 |
| Sale of erven business | 7 629 709 | 5 040 938 |
| Advertisement board | 7 239 | 2 304 |
| Refuse removal | 1 395 628 | 1 308 598 |
| Sewerage fees | 1 265 723 | 1 201 190 |
| Sewerage connection | 21 700 | 12 620 |
| Royalties & surcharges | 264 551 | 264 166 |
| Water connection | 223 672 | 152 314 |
| Reconnection/disconnection | 34 400 | 42 535 |
| Water sale | 6 474 713 | 6 120 076 |
| Private boreholes | 16 800 | 16 800 |
| Repair & maintenance water meter | 16 704 | 6 039 |
| Interest from bank | 30 850 | 23 579 |
| Promotional items | 8 753 | - |
| 9. Other Revenue | 180 904 | 159 358 |
| Tender fees | 30 973 | 16 269 |
| Other fees and charges | 1 774 | 262 |
| Refunds | 1 739 | 28 814 |
| Clearance/valuation certificate | 9 326 | 12 027 |
| Temporary structure | 73 500 | 79 200 |
| Investment | 46 800 | |
| Change of ownership of property | 2 000 | 7 300 |
| Commission received | 14 793 | 15 487 |
| 10. Transfers from other government entities | 5 804 359 | 9 655 102 |
| Subsidy MRLGHRD | 5 704 998 | 8 927 477 |
| Subsidy road fund administration | 99 361 | 727 625 |
| 11. Non Exchange Transactions | 1 887 233 | 1 764 706 |
| Assessment rates | 1 688 226 | 1 551 877 |
| Fitness certificate | 178 334 | 192 507 |
| Discount received | 20 673 | 20 323 |

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

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | N\$ | N\$ |
| 12. Wages, Salaries and Employees Benefits | 10 608 633 | 10 035 826 |
| Salaries and wages | 5 678 999 | 5 433 135 |
| Contribution to social security | 33 096 | 28 510 |
| Service bonus | 430 348 | 421 266 |
| Contribution medical aid fund | 945 319 | 824 770 |
| Contribution pension fund | 1 129 706 | 1 098 376 |
| Car allowance | 281 333 | 281 333 |
| Housing allowance | 1 708 063 | 1 624 354 |
| Transport allowance | 246 528 | 238 824 |
| Overtime | 66 131 | 55 558 |
| Standby allowance | 21 600 | 23 100 |
| Casual laborers/job attachment | 67 510 | 6 600 |
| 13. Supplies and Consumables | 312 314 | 220 653 |
| Printing and stationery | 183 552 | 124 181 |
| Protective clothing | 29 495 | - |
| Protective clothing & official uniform | 13 544 | - |
| Tools and equipment | 2 572 | 21 503 |
| Cleaning materials | 40 369 | 53 247 |
| Materials and stores | 40 349 | 20 192 |
| Small tools and equipment | 2 435 | 1 530 |
| 14. Depreciation | 5 247 807 | 4 897 371 |
| Depreciation - computer equipment | 17 350 | 4 678 |
| Depreciation - furniture, fixture and fitting | 4 841 | 3 376 |
| Depreciation - building | 345 765 | 280 032 |
| Depreciation - plants and machineries | 139 074 | 212 336 |
| Depreciation - vehicles | 345 277 | 444 246 |
| Depreciation - capital infrastructure | 4 007 139 | 3 952 702 |
| Depreciation - electrical infrastructure | 388 361 | |

TOWN COUNCIL OF NKURENKURU

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

| | 2022 | 2021 |
|---------------------------------------|------------------|-------------------|
| | N\$ | N\$ |
| 15. Other Expenses | 8 025 199 | 13 972 569 |
| Contract & subscription fee | 78 016 | 63 275 |
| Advertising | 114 285 | 46 956 |
| Entertainment | 72 628 | 50 226 |
| Fuel & oil | 308 776 | 314 849 |
| Insurance | 272 944 | 254 396 |
| Municipality association contribution | 35 500 | 54 900 |
| Refreshment LTB,BT & LAD COM | 5 900 | - |
| Training | 125 410 | 76 970 |
| Sport | 900 | - |
| Special events | 67 755 | 26 854 |
| Donation/sponsorship | 22 000 | - |
| Cleaning company | 2 484 | 11 537 |
| Claim against Council | 95 000 | - |
| Vehicle license fees & registration | 25 416 | 31 862 |
| Legal advice | 30 146 | 6 783 |
| Kilometer claim | 127 182 | 35 242 |
| Security services | 349 732 | 360 588 |
| Consulting fees | 217 081 | 408 414 |
| Courier services | 55 122 | 99 816 |
| Electricity consumption | 690 858 | 534 830 |
| Computer license fees | 187 525 | 73 567 |
| Relocation expense | 469 | - |
| Postage & telephone | 89 981 | 129 810 |
| Travel and accommodation | 297 833 | 142 069 |
| Water consumption | 83 890 | - |
| Office equipment | 600 | 13 |
| Subscription MultiChoice | 4 064 | 4 794 |
| Regional council levy | 63 588 | 72 193 |
| Compensation | 16 493 | - |
| Human capital development | 25 863 | - |
| Planning and survey | 22 085 | 187 103 |
| Service contract | 822 127 | 705 732 |
| Water testing | 3 693 | 6 917 |
| Water bulk purchases | 501 748 | 487 455 |
| Contribution leave days and bonus | 163 274 | (10 606) |
| Strategic planning | 103 312 | - |
| Repairs and maintenance - vehicle | 296 505 | 225 920 |

TOWN COUNCIL OF NKURENKURU

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

| | 2022 | 2021 |
|--|-----------|-----------|
| | N\$ | N\$ |
| 15. Other Expenses (Continue) | | |
| Repairs and maintenance - office furniture & equipment | - | 3 285 |
| Repairs and maintenance - computer & equipment | 350 | - |
| Repairs and maintenance - plant, machinery & equipment | 293 354 | 99 876 |
| Repairs and maintenance - sewerage pump repair | 86 150 | - |
| Repairs and maintenance - Water Meters/Pre-paid Meters | 153 587 | 108 105 |
| Repairs and maintenance - reticulation & network upgrade | 225 744 | 166 375 |
| Movement on allowance for doubtful debts | 73 862 | 2 358 |
| Assets disposal | 1 144 557 | 8 163 438 |
| Sal-Airtime Allowance | 667 412 | - |
| General expenses-disaster fund | - | 4 909 |
| General expenses-committee allowances | - | 10 408 |
| General expenses-CEO entertainment | - | 4 200 |
| General expenses-interim valuation roll | - | 13 208 |
| General expenses-pre-paid purchases electricity | - | 31 109 |
| General expenses-electricity connection | - | 470 |
| General expenses-vehicle mass distance charges | - | 20 000 |
| RM -Road Infrastructure | - | 17 668 |
| Repairs and maintenance - reticulation & network upgrade | - | 632 717 |
| Repairs and maintenance - reticulation & network upgrade | - | 136 962 |
| General expenses-integrated financial system | - | 155 018 |

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

ANNEXURE F

| 16. Property, plant and Equipment Reconciliation | | | | | | | | | | |
|--|------------------|-------------------|-------------------------------|--------------------|------------------|-------------------|------------------|------------------------|---------------------------|-------|
| | Work in Progress | Land & Building | Furniture, Fixture & Fittings | Computer Equipment | Office Equipment | Plant & Machinery | Motor Vehicles | Capital Infrastructure | Electrical Infrastructure | Total |
| | N\$ | N\$ | N\$ | N\$ | N\$ | N\$ | N\$ | N\$ | N\$ | N\$ |
| Opening Balance | 12 058 862 | 8 717 196 | 432 686 | 251 116 | 84 795 | 2 269 169 | 8 441 978 | 75 266 131 | 17 822 408 | - |
| Additions | 5 831 628 | 4 729 500 | 58 478 | 89 327 | - | - | - | 4 187 258 | 4 358 773 | - |
| Disposal | - | - | (117 745) | (70 269) | (63 122) | (847 349) | (494 847) | - | - | - |
| Transferred to Capital infrastructure | 7 287 418 | - | - | - | - | - | - | - | - | - |
| Total | - | 13 446 696 | 373 420 | 270 174 | 21 673 | 1 421 820 | 7 947 131 | 79 453 388 | 22 181 181 | - |
| Movement: | | | | | | | | | | |
| Opening Accumulated Depreciation | - | - | - | - | - | - | - | - | - | - |
| 01/07/2021 | - | (2 016 514) | (416 260) | (233 579) | (84 795) | (1 219 384) | (7 046 604) | (25 318 096) | - | - |
| Reversed | - | - | - | - | - | - | - | - | - | - |
| Accumulated Depreciation on disposal | - | - | 117 745 | 63 602 | 63 122 | 285 572 | 395 878 | - | - | - |
| Depreciation | - | 345 765 | 4 841 | 17 350 | - | 139 074 | 345 277 | 4 007 139 | 388 361 | - |
| Closing Balance | - | - | - | - | - | - | - | - | - | - |
| 30/06/2022 | - | - | - | - | - | - | - | - | - | - |

