



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OKAHAO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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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 Okahao for the financial year ended 30 June 2020 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, September 2022

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OKAHAO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

SECTION A: FINANCIAL AUDIT

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Okahao for the financial year ended 30 June 2020. These financial statement comprise the statement of financial position, statement of surplus or deficit, statement of changes in net assets or equity, statement of cash flow for the year then ended, and a summary of significant accounting policies.

Because of the significance of matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Okahao for the financial year ended 30 June 2020 and its financial performance and their cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

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 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 my opinion. The adverse audit opinion is expressed due to the following:

2.1 FINANCIAL REPORTING FRAMEWORK

The Council has adopted a new financial reporting framework (IPSAS), in which the Council has opted not to present comparative figures but shall include in these financial statements non-IPSAS historical summaries in accordance with the previous accounting basis and disclose the nature of the main adjustments that would be required to comply with IPSAS where necessary.

The Council did not provide the reconciliation of balances that were adjusted from the previous financial reporting framework to the newly adopted reporting framework. The Council is recommended in terms of IPSAS 33 paragraph 82, which states that a first-time adopter may present comparative information in accordance with its previous basis of accounting. In any financial statements containing comparative information and disclose the nature of the main adjustments that would be required to comply with IPSASs.

2.2 FINANCIAL POLICY AND PROCEDURES

It was observed that Council does not have financial accounting procedures/guidelines/manuals in place. Therefore, there is no adequate approved documentation of day-to-day financial procedures implemented at the Council. It is recommended that Council should draft, approve and implement sound financial accounting procedures/guidelines/manuals.

2.3 COMPARISON OF STATEMENT OF FINANCIAL POSITION AND THE TRIAL BALANCE (TB)

The following differences were observed between the Trial balance and Statement of Financial Position:

- Property, Plant and Equipment of N\$ 2 135 550 (Trial balance of N\$ 103 734 175, Statement of Financial position of N\$ 101 598 625);
- Funds and Accounts N\$ 14 966 403 (Trial Balance N\$ 7 914 170, Statement of Financial Position N\$ 22 880 573);
- Accumulated Surplus of N\$ 114 106 022 (Trial Balance N\$ 13 423 182, Statement of Financial Position N\$ 127 529 204); and
- Employee Provisions of N\$ 2 691 545 (Trial Balance N\$ 944 883, Statement of Financial Position N\$ 3 636 428).

The Council is recommended to ensure that all transactions are accurately recorded and presented within the financial statements in compliance with the IPSAS framework.

2.4 COMPARISON OF TRIAL BALANCE (TB) AND STATEMENT OF FINANCIAL PERFORMANCE

The following differences were observed between Trial balance and Statement of Financial Performance:

- Increase in provision for doubtful debts of N\$ 1 595 625 (Trial Balance N\$ 0 and Statement of Financial Performance N\$ 1 595 625); and
- Bad debts written off N\$ 3 104 322 (Trial Balance N\$ 8 748 751 and Statement of Financial Performance N\$ 5 644 429).

The Council is recommended to ensure that all transactions are accurately recorded and presented within the financial statements in compliance with the IPSAS framework.

2.5 LEAVE DAYS

Total leave days due for each employee at the end of each cycle for the 30 June 2019/2020 financial year could not be recalculated, as there are no updated leave records provided in the leave file. It is recommended that the Council file a record of days due at the end of each cycle in the employees leave file.

2.6 MOTOR VEHICLE ALLOWANCE

It was observed that there are no proof of payment of purchase of vehicles filed in the personnel files of management, in addition, Council is paying high car allowance per year to management contrary to what is recommended according to the Ministerial Directive (Circular) of 26 April 2018 Car Allowance for the managers of a Town Council. It is recommended that Council file all necessary documents in personnel files of employees and pay allowance as directed by the Ministry of Urban and Rural Development.

2.7 ACCOUNT RECEIVABLES WRITTEN OFF (BAD DEBTS)

There were no supporting documents provided by the Council to substantiate the authorization of the account receivables written off amounting to N\$ 5 644 429 recognized in the financial statements. It is recommended that the Council should ensure that valid supporting documents are filled and provided for audit purposes.

2.8 VAT RECEIVABLES

A difference amounting to N\$ 1 336 988 was observed between the re-performed reconciliation and the financial statements. It is recommended that Council should provide an explanation of the differences and provide the outstanding supportive documents for audit purposes.

2.9 SALES OF ERVEN

The Council incorrectly recorded sales of erven transactions amounting to N\$ 328 729, inclusive of VAT (Value Added-Tax). It is recommended that the Council should ensure that vatable transactions are recorded VAT exclusively in the financial statement of the Council.

2.10 PROPERTY, PLANT AND EQUIPMENT

A difference amounting to N\$ 2 867 758 was observed between the opening balances of N\$ 96 778 863 as reflected in the current financial statements and the closing balance of N\$ 112 559 147 reflected in the prior year financial statements for work-in-progress and property, plant and equipment of N\$ 18 648 042 for the 2020 financial year. It is recommended that the Council should ensure that closing balances are correctly carried forward to the next financial year and that correction of errors, change in accounting policies or change in accounting estimates are carried out in accordance with IPSAS 3 paragraph 16. Which states that the Council shall select and apply its accounting policies consistently for similar transactions, other events, and conditions, unless an IPSAS specifically requires or permits different policies may be appropriate.

Furthermore, a difference amounting to N\$ 1 723 744 was observed between the property, plant and equipment closing balance amounting to N\$ 87 120 908 reflected in the financial statements and N\$ 88 844 652 as per the fixed assets register. It is recommended that the Council should ensure that all items in the fixed asset register are correctly presented in the financial statements.

2.11 ASSETS COMPLETED DURING THE FINANCIAL YEAR NOT TRANSFERRED TO PROPERTY, PLANT AND EQUIPMENT

Capital projects with a cost amounting to N\$ 3 966 592 that were completed during the accounting period were not transferred to property, plant and equipment. The Council is recommended to monitor the progress of assets that are under construction and ensuring that completed assets are transferred to property, plant and equipment on a timely basis.

2.12 PHYSICAL ASSETS VERIFICATION

Although the fixed assets register contains system generated ID number, these numbers are not marked on the physical assets. As reported in the 2017, 2018 and 2019 audits, the audit could once again not confirm the completeness and existence of items of property, plant and equipment due to improper records to trace assets, to and from the fixed asset register. It is recommended that the Council should ensure that the fixed asset register is updated with sufficient unique asset identification numbers/details that are also marked on the physical asset, especially for movable items.

2.13 COST FOR THE SUBDIVIDING AND ZONING OF ERVEN

The general valuation roll, new township as well as subdividing and rezoning of erven amounting to N\$ 1 148 020 was incorrectly recorded as property, plant and equipment under construction (work in progress).

IPSAS 12: Inventories paragraph 18 states that the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Paragraph 22 of IPSAS 12 further provides examples of costs relating to landscaping, drainage, pipe laying for utility connection, etc. as costs that can be regarded as fixed or variable, for allocation to cost of conversion.

It is recommended that the Council should ensure that all costs incurred in bringing the inventories to their present location and condition are added to the cost of inventories and correctly allocated to land held for sale.

2.14 WORK-IN-PROGRESS

Supporting documents for the following transactions amounting to N\$ 874 415 related to work-in-progress in the 2020 financial year were not provided for auditing purposes. It is recommended that the Council should ensure that all supporting documents are provided for auditing purposes.

2.15 VALUATION OF LAND AND BUILDING

A class of land and buildings valued at amount of N\$ 17 905 099 disclosed in financial statement, the land value is not separated from those of buildings.

In terms of IAS16 paragraph 58 and IPSAS 17 paragraph 74, Land and Buildings are separable assets and accounted for separately, even when they are acquired together. Land has an unlimited useful life and therefore not depreciated. Buildings have a limited useful life and therefore are depreciable assets. It is recommended that the Council should separate the cost of land from the cost of buildings.

2.16 INVESTMENT IN NORED

The audit was not provided with a share certificate indicating the current shareholding percentage of the Town Council as well as its shareholding value. The audit could not confirm the accuracy and valuation of the Investment amounting to N\$ 20 990 854. The Council is recommended to ensure that the investment in NORED is correctly measured and accounted for in the financial statements by obtaining the share certificate. The audit does note that the Council has taken advantage of IPSAS 33 and opted to be exempted on IPSAS 29, Financial Instrument: Recognition and measurement.

2.17 LIST OF ERVEN

A difference amounting to N\$ 2 350 844 was observed between the inventory amount as per the list of erven available for sale provided by the Council amounting to N\$ 15 821 814 and the recalculated amount of N\$ 13 470 970. This is due to incorrect administration cost and tariffs per square meter that was used to calculate the selling price (net realizable value). It is recommended that the Council should ensure that inventories are initially recorded at cost and measured at the lower of cost and net realizable value according to Council's policies. Where cost exceeds the realizable value the difference should be expensed (write-down). Correct rates should be used to calculate selling price.

2.18 ACCOUNTING FOR THE DUMPSITE

Note 1.12.1 *Site restoration and dismantling costs* to the 2020 financial statements indicates that the Council has a dumpsite under its control and ownership, this dumpsite was however not accounted for based on inspection of the fixed assets register. Furthermore, the council did not make a provision for the rehabilitation and restoration of the dumping site after its useful life in accordance with IPSAS 19 paragraph 27. It is recommended that the Council should recognize the dumpsite and make a provision for the restoration and rehabilitation of the site within its financial statements.

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 the audit of the financial statements as a whole, and in forming an audit opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statement for Town Council of Okahao.

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 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 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. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements for the financial year ended 30 June 2020 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).

6. 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.

7. 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, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to it in the audit 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 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 the 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; and
- 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 the auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. SECTION B: COMPLIANCE AUDIT AND AUDIT OF PERFORMANCE INFORMATION

8.1 AUDIT OF KEY PERFORMANCE INFORMATION

I conducted an audit on performance information of Okahao Town Council for the Strategic period 2018 to 2021, consecutively with the audit of financial statements for the year ended 30 June 2019.

8.2 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 timeliness.

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.

The scoping of the key performance indicators was performed by looking at the high-level statements, which are indicated in the mandate of the Council as provided for in the Local Authorities Act, Act No. 23 of 1992 and its' Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity's achievements in terms of its service performance objectives.

8.3 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.

8.4 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.

8.5 SUMMARY OF METHODS APPLIED

I reviewed the Strategic Plan for the strategic periods 2017 to 2021 and comprised of a review of the Strategic Plan, documentation review and interviews with senior and top management.

8.6 KEY AUDIT FINDINGS

The following documents were requested for 2019/20 audit during from the 25th October 2021 to 5th November 2021, however, they were not provided:

1. Annual Report for 2020/21.
2. Performance Agreements for:
 - Chief Executive Officer;
 - Manager: Finance & ICT;
 - Manager: Human Resources & Administration (vacant position);
 - Manager: Technical Services & Infrastructure;
 - Manager: Environmental & Health Services (vacant position); and
 - Manager: LED & Tourism (vacant position).
3. Evidence to support activity on the following selected objectives:
 - Ensure good governance and effective service delivery;
 - Ensure an enabling environment and high-performance culture;
 - Ensure a sound procurement management;
 - Ensure a sound fleet & asset management system;
 - Promote and create conducive conditions for local economic development;
 - Facilitate Capacity building for local SMEs;
 - Promote Tourism Activities and infrastructure in the town;
 - Accelerate the delivery of serviced urban land and housing;
 - Enhance the revenue base and collection;
 - Ensure sound financial management;
 - Facilitate integrated urban infrastructural development;
 - Ensure the upgrading and maintenance of urban infrastructure; and
 - Enhance disaster and risk management response capacity.

8.7 INSUFFICIENT SUPPORTING DOCUMENTATION

The above posed a significant limitation on the auditors to ascertain whether reported performance information is useful (i.e. measurable and relevant) and reliable in terms of whether the actual reported performance did occur.


8.8 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. ACKNOWLEDGEMENTS

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

WINDHOEK, September 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

TOWN COUNCIL OF OKAHAO
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

ASSETS	Notes	2020 N\$
Current assets		39 739 223
Inventory	6	15 873 330
Account Receivables	7	12 287 265
Cash and cash equivalents	8	10 254 196
VAT receivables	9	1 212 808
Prepayments	10	111 624
Non-current assets		123 240 424
Property, plant and equipment	2	101 598 625
Intangible assets	3	20 250
Investments	4	20 990 854
Long term receivables	5	630 695
Total Assets		162 979 647
LIABILITIES		
Current liabilities		12 869 870
Account payables: Exchange transactions	11	1 548 687
Account payables: Non-Exchange transactions	11	420 147
Employee provisions	12	3 636 428
Other Provisions	13	6 299 554
Consumer deposits	14	486 881
Unearned revenue	15	59 200
Retention fees	16	366 418
Unknown deposits	17	52 555
Total liabilities		12 869 870
Net assets		150 109 777
NET ASSETS/EQUITY		150 109 777
Funds and accounts		22 580 573
Accumulated surplus		127 529 204
Total Equity and liabilities		162 979 647

ANNEXURE B

TOWN COUNCIL OF OKAHAO

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 N\$
REVENUE		
Revenue from exchange transactions		29 081 124
Service charges	18	11 509 497
Sales of erven	19	5 711 925
Rental income	20	347 601
Surcharge income	21	448 788
Interest	22	8 653 996
Other revenue	23	2 409 317
Revenue from non-exchange transactions		15 697 187
Property rates and taxes	24	6 402 950
Government & other departments - transfer	25	9 231 717
Pledges and penalties	26	62 520
TOTAL REVENUE		44 778 311
EXPENSES		42 878 006
Employee costs	27	14 261 306
Councilors' remuneration	27	510 686
Depreciation	2	2 656 475
Regional Council 5% Levy	11	320 147
Donations		3 500
Repairs and maintenance		1 980 053
Removal of power cables		27 875
Legal costs		124 669
General expenses		8 814 461
Increase in provision for doubtful debts	7	1 595 625
Bad debts written - off	7	5 644 429
Provisions - home steads compensation	13	6 223 919
Employee provisions	12	714 861
Total expenses		42 878 006
Surplus for the year		1 900 305

TOWN COUNCIL OF OKAHAO

STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Funds and accounts N\$	Accumulated surplus/deficit N\$	Total net assets/equity N\$
Opening balance as at 01 July 2018		7 336 541	126 630 908	133 967 449
Surplus or deficit for the year		7 619 927	7 202 931	14 822 858
Balance as at 01 July 2019		14 956 468	133 833 839	148 790 307
IPSAS ADJUSTMENTS:				
Recognition of serviced erven - inventory		-	15 712 804	15 712 804
Recognition of investment in Nored		-	20 489 831	20 489 831
Reclassifications from PPE to investments		-	(20 189 831)	(20 189 831)
Recognition of other provisions		-	(6 299 554)	(6 299 554)
Recognition of compensation receivable		-	618 331	618 331
Recognition of severance pay provision		-	(944 883)	(944 883)
Recognition of an intangible		-	20 250	20 250
Other PPE adjustments		-	(3 154 634)	(3 154 634)
Correction of errors	28	-	(14 457 253)	(14 457 253)
Net impact of Conversion to IPSAS		-	(8 204 939)	(8 204 939)
Net assets as at 01 July 2019		14 956 468	125 628 900	140 585 368
Surplus or deficit for the year		7 624 105	1 900 305	9 524 410
Net assets as at 30 June 2020		22 580 573	127 529 205	150 109 778

ANNEXURE D

TOWN COUNCIL OF OKAHAO
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2020

	Notes	<u>2020</u> N\$
CASH FLOW FROM OPERATING ACTIVITIES	30	(53 980)
Cash received from customers	29	25 668 569
Cash paid to employees		(14 771 992)
Cash paid to suppliers		(10 950 557)
Net cash flow from operating activities		
 CASH FROM INVESTING ACTIVITIES		 (7 830 252)
Purchase and construction of property, plant and equipment	2	(7 830 252)
 CASH FLOW FROM FINANCING ACTIVITIES		 7 637 589
Government transfers		7 637 589
Dividend paid to government		-
 Net increase/(decrease) in cash and cash equivalents		 (246 643)
Cash and cash equivalents at the beginning of the period		10 357 483
Cash and cash equivalents at the end of the period		10 110 840

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

1. Basis of preparation and significant accounting policies

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 recognize and/or measure certain assets and liabilities.

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 recognize and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2022 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 basis IPSAS and the accounting policies applicable thereto.

IPSAS 33, paragraph 137;

- (a) Requires that Okahao Town Council disclose progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS.

Presentation currency and rounding

The financial statements are presented in Namibia dollars which is the Town Council's presentation and functional currency, and all values, including Councilors' remuneration disclosures in note 27 are rounded off to the nearest dollar.

1.1 Changes in accounting policy

Accounting policies applied to all IPSASs that Okahao Town 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) Results in the financial statements providing faithfully representative and more relevant information about effects of transactions, other events, and conditions on the entity's financial position, financial performance, and cash flows.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

1.2 Transitional exemptions that do not affect fair presentation

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

IPSAS 1, Presentation of financial statements

This standard sets out considerations for the presentation of financial statements and offers guidance for the structure of these statements and minimum requirements for their content under the accruals, basis of accounting.

Further, the standard encourages the presentation of comparative figures, but does not make the presentation of comparative figures mandatory. The Town Council has opted not to present comparative figures in accordance with IPSAS 33, paragraph 77 but shall include in these financial statements non-IPSAS historical summaries in accordance with the previous accounting basis and disclose the nature of the main adjustments that would be required to comply with IPSAS where necessary.

Okahao Town Council disclosures

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

IPSAS 2, Statement of cash flows

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.

Okahao Town Council disclosures

The statement of cash flow shall report cash flows from three categories namely operating activities, investing activities, and financing activities. The statement of cash flow shall be prepared using the direct method.

IPSAS 3, Accounting policies, changes in accounting estimates and errors

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

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Okahao Town Council disclosures

Changes to accounting policies shall be applied retrospectively by restating prior year financial statements unless impracticable. Changes in accounting estimate 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 statements of one or more periods are corrected retrospectively by adjustments to Non-IPSAS historical summaries prepared in accordance with the previous accounting basis. Where IPSAS does not provide guidance as to whether a change is a change in accounting policy or a change in accounting estimate, the change shall be considered to be a change in accounting estimate.

IPSAS 14, Events after the reporting date

This standard prescribes when the entity should adjust its financial statements for events after the reporting date and the disclosures that the entity should give about the date when the financial statements were authorized for issue, and about events after the reporting period. The standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate (if those responsible for the preparation of financial statements or the governing body determine after the reporting date that there is no realistic alternative but to do so).

Okahao Town Council disclosures

The Town Council shall disclose the date when financial statements were authorized for issue, and the name and identity of the person giving that authorization. No other body shall have the power to amend or direct the amendment of financial statements except the Auditor-General directing such amendment in terms of statutory audit for the purposes of adding value to the Town Council's financial reporting.

IPSAS 19, Provisions, contingent liabilities, and contingent assets

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

**TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)**

Okahao Town Council disclosures

The Town Council is guided by the definition of an obligation as per the standard. The Town 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 Town Council's actions whereby an established pattern of past practice, published policies, or sufficiently specific current statement, the Town 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 disclosures

The objective of this standard is to set the disclosure requirements for transactions between Okahao Town Council and its related parties in certain circumstances.

Related party relationships are disclosed in the notes to the financial statements. Transactions where they occur within a normal relationship of supplier and recipient and on arms-length terms are also disclosed.

Okahao Town Council disclosures

The Town Council shall disclose related party transactions and management remuneration (including an analysis by type of remuneration). With respect to related parties, the Town Council shall disclose the nature of the related party relationship, and type of transactions that have occurred.

IPSAS 21, Impairment of non-cash generating assets

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

Okahao Town Council disclosures

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

IPSAS 24, Presentation of budget information in financial statements

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

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Okahao Town Council disclosures

The Town Council shall disclose reconciliation between actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts. The Town Council shall disclose the budgetary basis and classification basis adopted in the approved budget and the financial period of the approved budget. Explanation of variances between the final budget and actual as presented in the comparison shall be disclosed 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 recognising financial instruments in the Town Council's financial statements and the measurement of their 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 Town Council, the main financial instruments are accounts receivables, and accounts payables. The cash pool balance is treated as cash and cash equivalents.

Okahao Town Council disclosures

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

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, specified criteria are met. This standard further specifies how to measure the carrying amount of intangible assets and requires specific disclosures about intangible assets. The standard IPSAS 31 forms part of the regime of standards whose adoption affect fair presentation as per IPSAS 33, paragraph 33. The Town Council judges it can comply with this standard in full on its initial adoption of accrual basis IPSAS.

Okahao Town Council disclosures

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

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

Expense recognition

Under IPSAS, there is no specific standard that prescribes the accounting treatment of expenses and expense recognition. The accounting for this area arises from the fundamental principle of accrual basis accounting. As per IPSAS 1, presentation of financial statements, under the accrual basis, expenses are recognised when the transaction or event that causes the expense occurs. Expenses shall be analysed by nature in the statement of surplus or deficit.

The accounting policies which relate to the IPSASs set out above have been developed and adopted by the Town Council and were applied in presenting its financial information for the year beginning 01 July 2019. The accounting policies form part of these financial statements and are subject to continuous review and improvement during the transitional period.

1.3 Transitional exemptions that affect fair presentation

As a first-time adopter of International Public Sector Accounting Standards (IPSASs), the Town Council has taken advantage of transitional exemptions that provide a 3-year relief for the following IPSASs:

IPSAS 12, Inventories;

IPSAS 16, Investment property;

IPSAS 17, Property, plant and, equipment; and

IPSAS 29, Financial instruments: Recognition and measurement.

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

1.4 IPSASs not adopted by Okahao Town Council

The International Public Sector Accounting Standards listed below have not yet been adopted for the purposes of reporting financial information for the year ended 30 June 2020. Management shall apply any of the IPSAS where the Town Council's future transactions render it necessary to apply the provisions of the respective IPSAS:

IPSAS 4, The effects of changes in foreign exchange rates IPSAS 5, Borrowing costs;

IPSAS 10, Financial reporting in hyper inflationary times IPSAS 11, Construction contracts;

IPSAS 13, Leases;

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

IPSAS 16, Investment property;
IPSAS 26, Impairment of cash-generating assets IPSAS 27, Agriculture;
IPSAS 32, Service concession arrangements: Grantor IPSAS 34, Separate financial statements;
IPSAS 36, Investment in associates and joint ventures;
IPSAS 37, Joint arrangements; and
IPSAS 38, Disclosure of interest in other entities IPSAS 40, Public sector combinations.

1.5 Significant judgements and sources of estimation uncertainty

In the preparation of these annual financial statements, management is required to make estimates, and assumptions that affect the amounts presented in these annual financial statements and related disclosures. Use of available information and the application of judgement 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 Town Council may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The Town 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 differences in accounting policies.

Management has exercised the following significant judgements in applying accounting policies. The judgements exercised by management incorporate recent developments regarding the impact of the corona virus and its implications on the Town Council's financial reporting.

Provisions, contingent liabilities, and contingent assets

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets. In light of the corona virus (an event that existed as at the reporting date), management's actions are only accounted for as a provision to the extent that there is a present obligation for which the outflow of economic benefits is probable and can be reliably measured.

Accounts receivables, loans, and other receivables

The Town Council assesses its accounts receivables, loans, and other receivables at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgement based on past practices or observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

As a prudent precaution on accounts receivables, management makes an allowance for doubtful debts where the allowance is shown as an expense in the statement of surplus or deficit. Accounts receivables shall be presented on the face of the statement of financial position net of allowance for receivables. Management judges that the directive from the government requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) will increase uncollectable receivables as those customers were already defaulting on payments before the corona virus pandemic. The Town Council makes an allowance for doubtful debts on 100% of outstanding accounts receivables that are more than 90 days. This includes accounts receivables that are in bankruptcy, as well as those that have applied for suspension of payments with the Town Council. The Town Council plans to depart from a 90 day + allowance to 120 day + allowance in the financial year beginning 01 July 2020 and beyond due to the nature of its customers who do not undergo a rigorous credit worthiness evaluation exercise to ensure service delivery to all Namibians regardless of financial status.

Allowance for slow moving, obsolete or damaged inventory items

Inventory items shall be written down to the lower of cost and net realizable value.

Useful lives of items of property, plant, and equipment

Management determines the useful lives 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 lives of the respective items.

1.6 Offsetting

Assets 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 statements are stated exclusive of value added tax, except for accounts receivables and account payables, which are presented on a value added tax inclusive basis. Where value added tax is not recoverable, it forms part of the stated asset or expense. Commitments or contingencies are disclosed exclusive of value added tax.

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

1.8 Budget information

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

The approved budget is prepared on cash basis and covers the financial period beginning 01 July 2019 and ending 30 June 2020.

Comparative information shall not be required for the budget.

Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

The budget has been prepared on cash basis and the financial statements have been prepared on the full accrual basis. A separate statement of comparison of actual and budget has henceforth been presented and forms part of these financial statements.

1.9 Going concern

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

Management judges that considerations for the potential implications of corona virus and the measures taken to control it when assessing the entity's ability to continue as a going concern are critical. Further, management judges that the government lockdown programme which initially was focused on Erongo Region 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 service potential during the reporting period when those inflows result in an increase in net assets other than increases relating to contributions from owners.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

1.10.1 Revenue from exchange transactions

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

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

Recognition

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the Town Council shall recognise revenue by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

1.10.2 The amount of revenue can be measured reliably

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

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

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Sale of goods

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

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

Measurement

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

Service charges relating to solid waste, sanitation and sewerage are levied in terms of approved tariffs.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings are not performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Services provided on a prepayment basis are recognised at a point of sale. An adjustment to unutilized points made at end, based on the average consumption history.

1.10.3 Revenue from non-exchange transactions

The Town Council is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, for reporting periods beginning on a date within 3 years of first-time adoption of this standard. However, the Town Council opted for the application of transitional provisions to the extent necessary to achieve compliance with this IPSAS.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

Amounts collected by the Council as agent of the government or other third parties do not meet the definition of revenue.

Control of an asset arises when the Town Council can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Town Council receives value from another party without directly giving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that future economic benefits or service potential embodied in the asset is required to be consumed by the Town Council as specified or service potential must be returned to the transferor.

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

Taxes such as property rates are economic benefits or service potential compulsorily paid to the Town Council in accordance with laws and/or regulations. Taxes do not include fines or penalties imposed as a result of breaches of the law.

Transfers are future economic benefits or service potential from non-exchange transactions other than taxes.

Recognition

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

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

1.11 Investments

The Town Council holds an equity instrument in NORED in accordance with IPSAS 28, Financial Instruments: Presentation. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. IPSAS 33 provides that a first-time adopter applies the criteria in IPSAS 28 financial instruments classified as equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in IPSAS 28 (Paragraphs 13).

**TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)**

1.12 Property plant and equipment

The Town Council has adopted IPSAS as set out in the basis for preparation paragraph above. Amongst the IPSASs adopted is IPSAS 17 Property, Plant, and Equipment (PPE). In its previous basis of accounting, the Town Council did not have an accounting policy for the recognition, and measurement of items of PPE that is consistent with IPSAS 17, Property, Plant, and Equipment.

The Town 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 01 July 2019. The process of recognising and measuring items of property, plant, and equipment necessitates a continuous development of accounting policies relating to those items of PPE subsequently brought to the statement of financial position.

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

Recognition

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

- It is probable that future economic benefits, or service potential associated with the item of PPE flow to the Town Council; and
- 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 discounts and rebates are deducted in arriving at cost.

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

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

Where an 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 lives, they are accounted for as separate items (major components) of PPE.

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

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

Recognition of costs in the carrying amount of an item of PPE ceases when the item is in the location, and condition, necessary for it to be operated in the manner intended by management.

Major spare parts and standby equipment, which are expected to be used for more than one period are included in PPE.

Major inspection costs 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 derecognized.

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 item's 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 lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Beginning the year ending 30 June 2021, minor assets below N\$ 1 000 will not be depreciated. They are expensed in the year of acquisition.

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

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 purposes of completeness and monitoring pending disposal.

Items of PPE are derecognized when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the Town Council holds for rental to others and subsequently routinely sells as part of the ordinary 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 assets held for sale. Proceeds from sale of these assets are recognised as revenue. Profit or loss 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 recognised in the statement of surplus or deficit unless if it is included in the cost of another asset. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The useful lives of items of property, plant and equipment have been assessed as follows:

TYPE OF ASSET	DEPRECIATION METHOD	(AVERAGE) USEFUL LIFE
Land and Buildings	Straight line	(20 - 50)
Furniture, fixtures and Fittings	Straight line	(4 - 5)
Computer & Office Equipment	Straight line	(3 - 8)
Plant and Machinery	Straight line	(5 - 15)
Motor Vehicles	Straight line	(4 - 8)
Infrastructure	Straight line	(15 - 50)

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

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

1.12.1 Site restoration and dismantling costs

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

Measurement using the cost model:

- 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 adjustment results in an addition to the cost of the asset, the Town Council considers 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 recognised the statement of accumulated surplus or deficit on the date of the adoption of IPSAS and/or in subsequent accounting periods within the transitional period. The Town 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 their cost is the fair value at the date of acquisition.

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

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

The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories shall be determined using the first in first out formula (FIFO). The same formula is used for all inventories having a similar nature and use to the Town Council.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

Where some or all of the expenditure required to settle the provision is reimbursed by another part, the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset. The amount recognised 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 out flow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for the expenditures for which the provision was initially recognised. Provisions are not recognised for future operating deficits.

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

**TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)**

1.15 Employee benefits

Employee benefits are all forms of consideration given by Okahao Town Council in exchange for services rendered by employees. There are four categories of employee benefits:

- Short term employee benefits;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

The categories are explained below together with the Town 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 rendered services. Within the Town Council of Okahao, this category includes wages and salaries, fixed and variable allowances, social security contributions, paid sick leave, and variable short-term remuneration. The costs of these employee benefits are recognised in the statement of surplus or deficit when the service is rendered, or the rights to benefits are accrued.

Post-employment benefits

These are employee benefits that fall due after the completion of employment. They include pension and job-related early retirement. Okahao Town Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN). The retirement 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 regarded 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 contributions in the event of a 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; and
- Each year, the premium is set by RFLAUN board on the basis of its own file data, with due regard for prescribed parameters or requirements.

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

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

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 Town Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised 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; and
- 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.

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 recognised 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 expense, and where recovered it is subsequently recognised as revenue in the statement of surplus or deficit.

1.18 Conditional grants and receipts

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

1.19 Debt forgiveness

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

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

1.20 Bequests

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

1.21 Gifts and donations

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

Measurement

An asset acquired through a non-exchange transaction shall initially be measured at its fair value at the date of acquisition.

Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognised by the entity.

1.22 Fines

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

1.23 Investments

Where the carrying amount of an investment is greater than the recoverable 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 Town Council recognizes 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, deposits held at call at financial institutions, and short term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and reported under accounts receivables. Bank overdrafts are included in the short-term payables.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

2. Property, plant, and equipment

	Deemed Construction/Acquisition Cost	Accumulated depreciation	Carrying amount
	N\$	N\$	N\$
Land and Buildings	1 994 5624	(2 040 524)	17 905 100
Furniture fixtures & fittings	637 553	(611 424)	26 130
Computer & Office equipment	1 788 037	(1 666 657)	121 380
Plant and Machinery	9 394 103	(3 151 873)	6 242 230
Motor vehicles	1 845 076	(1 750 052)	95 023
Infrastructure	71 313 515	(8 582 469)	62 731 046
Work in progress	14 477 716	-	14 477 716
	119 401 624	(17 802 999)	101 598 625

Reconciliation of property, plant, and equipment

	Work in Progress		Land and Buildings		Furniture fixtures & fittings		Comps & Office equip		Plant & Machinery		Motor vehicles		Infrastructure		Total	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Reporting period	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening Bal 01/07/2019	10 139 645	18 476 572	39 291	93 551	4 973 962	314 165	63 188 684	97 225 871								
Additions	6 679 078	-	14 980	93 508	84 174	-	958 513	7 830 252								
Disposals	-	-	-	-	-	-	-	-								
Sub-total	6 679 078	-	14 980	93 508	84 174	-	958 513	7 830 252								

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Reconciliation of property, plant, and equipment (continued)									
Transfers:									
To PPE	(2 341 006)	788 881	-	-	751 102	-	-	801 023	-
To Investments (out)	-	-	-	-	-	-	-	(801 023)	(801 023)
Other	-	(961 465)	-	-	961 465	-	-	-	-
Sub-total	(2 341 006)	(172 584)	-	-	1 712 567	-	-	-	(801 023)
Depreciation	-	(398 889)	(28 141)	(65 679)	(528 473)	(219 142)	(1 416 151)	(2 656 475)	-
Revaluations	-	-	-	-	-	-	-	-	-
Sub-total	-	(398 889)	(28 141)	(65 679)	(528 473)	(219 142)	(1 416 151)	(2 656 475)	-
Closing Bal (30/06/2020)	14 477 717	17 905 099	26 130	121 380	6 242 230	95 023	62 731 046	101 598 625	-
Assets fully depreciated and still in use									
Computer and office equipment				59			NS	641 217	
Furniture, fixtures, & fittings				54				426 518	
Motor vehicles				6				1 232 717	
Total				119				2 300 452	

**TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Reconciliation of property, plant, and equipment (continued)

There are 119 fully depreciated assets amounting to a total of N\$ 2 300 452 still in use with a cost determined as at initial recognition and measurement.

3. Intangible assets

	Acquisition Cost	Accumulated Amortization	Carrying amount
	N\$	N\$	N\$
Microsoft Dynamics software	20 250	-	20 250
	20 250	-	20 250

Reconciliation of intangible assets – 2020

	Opening balance	Acquisitions	Disposals	Amortization	Total
	N\$	N\$	N\$	N\$	N\$
Microsoft Dynamics software	20 250	-	-	-	20 250
	20 250	-	-	-	20 250

- The Town Council policy prescribes non-amortization of intangibles and as a result, no movements were recorded during the financial year. In relation to impairment assessment of its intangible asset;
- There has not been a decline in performance of the intangible asset in relation to increasing volume of transactions; and
- There has not been a significant change in costs attributable to upgrades, which would result in the Town Council reviewing the need to continue using the accounting software.

In line with IPSAS adoption, the Town Council intends to develop an annual assessment model of its intangible assets within the transitional period.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

4. Investments held in Nored

	20 990 854
Opening balance of investments at cost	20 189 831
Additions during the year	801 023

The investment in Nored meets the definition of an equity instrument in accordance with IPSAS 28, paragraph 9. The Town Council elected to classify the instrument as an equity instrument as the substance of the contractual agreement provides for a transfer of electrical infrastructure from Okahao Town Council to Nored at cost in exchange for equity in Nored. The equity instrument first satisfied recognition criteria at the date of signing the contractual agreement as specified in the contract. The Town Council intends to disclose the value of its equity after all formalities with Nored are finalized. The investment is currently accounted for at cost.

5. Long term receivables

	630 695
Collateral – receivable	12 365
Compensation refund	618 330

Long term receivables relate to a security fee paid by the Town Council in an arrangement on the purchase of an NHE immovable property by one of one of Town Council non-top management employee.

Compensation refund of N\$ 618 331 is attributable to an overpayment of compensation to an individual whose communal land was rezoned within Okahao Town Council urban. By past practice, the Town Council has not managed to recover the overpayment within one financial year.

6. Inventory

	Size	Gazetted Price	Gazetted price virgin land	Lower of cost /NRV
	Sq./m2	N\$	N\$	N\$
Residential	5 075	60	-	304 500
General residential	9 053	121	-	1 093 150
Institutional	47 634	121	-	5 751 806
Business	45 404	190	-	8 563 349
	107 166			15 712 805
Sundry items				160 525
Inventory				15 873 330

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Inventory amounting to N\$ 15 712 805 is attributable to serviced erven covering an area of 107 166 square meters and inventory amounting to N\$ 160 526 is held in the Town Council's warehouse. All inventory is held at the lower of cost and net realizable value (IPSAS 12, paragraph 15). Any impairment losses on items of inventory (excluding land) are expensed in the year of impairment. Inventory is a current asset which is realizable, saleable, or consumable in the Town Council's normal annual operating cycle and the Town Council elects to measure inventory within the three-year transitional period.

7. Accounts receivables	12 287 265
Consumer debtors	6 478 029
Build Together	5 809 236

Accounts receivables comprise of consumer debtors and Build Together debtors. The Town Council made an allowance on accounts outstanding for 90 days and over. The Town Council has not made an allowance for doubtful debts on Build Together as it considers Build Together a complex financial instrument which needs accurate statistical data based on past customer repayment practices and future economic performance and other information relating to similar financial instruments. Due to collection of statistical data within the transitional period, the Build Together financial instrument is work in progress until policy guidance is in place

Consumer debtors	2020	2019
Accounts receivables	33 553 273	23 865 025
Accounts receivables written-off	(5 644 429)	-
Adjusted accounts receivables	27 908 844	23 865 025
Allowance for doubtful debts	(21 430 815)	(19 835 190)
Accounts receivables – SOFP	6 478 029	4 029 835

During the year, the reporting entity wrote-off accounts receivables amounting to N\$ 5 644 429. Bad debts written-off comprise accounts with longstanding non-moving balances (with movement only attributable to interest levied) and contractor accounts, which the Town Council must have closed at completion of projects by respective contractors.

The Town Council makes an allowance for doubtful debts on all outstanding accounts receivables that are 90 days and 90 days+. The increase in allowance for doubtful debts amounted to N\$ 1 595 625.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

8. Cash and cash equivalents	10 254 196
Standard bank - Cheque account – operational	(51 37)
Standard bank - Build Together - call account	3 855
Standard bank - Build Together – disbursement	4 223
Standard bank - Build Together – receipt	2 397 232
Standard bank - Cheque account – capital	4 586
Standard bank - Call account – operational	45 473
Standard bank - Call account – capital	1 463 177
Standard bank - Cheque account - social housing	2 015
Standard bank - Ehao call account	9 110
Stanlib - Investment account	6 323 374
FNB - Petty cash account	3 664
Petty cash box	2 624

During the financial year, The Town Council reclassified cash and cash equivalents presented under non-current assets (investments) in the prior year from non-current assets to current assets as the longest notice period on its accounts is on the Stanlib account (held with Standard bank) which has a three-day notice period for redeeming cash held on deposit. Most of the Town Council's accounts are call accounts. All the accounts meet the definition of cash and cash equivalents.

The Stanlib investment is a risk-free investment (based on a guarantee to the investor that the principal investment is not affected by market volatility and can be redeemed by the investor). Management is aware that market volatility has an impact on the returns to the investment leaving the risk exposure high as the returns on investment have a potential to be eroded.

The cash plus investment may earn reduced interest and this has been experienced during the corona virus period where interest fell to as low as 3%, a rate that is only 0.9% above the highest recorded inflation rate of 2.1% in June 2020. The return on the cash Plus investment stabilized at 4.11% for the year ended 30 June 2020. The Town Council is positive that the Cash Plus investment is going to rebound to a higher than 4.5% interest rate month on month.

All the bank account belongs to Okahao Town Council. There are no restrictions which appertain to the use of cash. The Town Council does not have any financial liabilities requiring the pledging of cash as security. The amounts held in the Town Council's bank accounts represent maximum risk to credit exposure.

TOWN COUNCIL OF OKAHAO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

9. Value added tax receivable

Value added tax	1 212 808
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The Town Council collects VAT and remits it to the Receiver of Revenue and relies on the policies of the Receiver of Revenue in administering collection and remitting. As at reporting date, input value added tax exceeded output value added tax.

10. Prepayments

	132 844
Motor vehicle licenses	34 223
Insurance	77 401
Electricity	21 220

Prepayments on motor vehicles relate to unexpired licenses as at 30 June 2020. The Town Council pays for its insurance annually and payments are made to Santam Insurance on 01 October of every financial year.

11. Accounts payables (exchange and non-exchange transactions)

Accounts payables - exchange transactions	1 548 687
Accounts payables	1 664 912
Nexus Civil (PTY) LTD	(116 225)

The adjustment on accounts payables relate to an invoice that was paid to Mavhinga on 21 August 2012. The largest outstanding accounts payables amount to N\$ 311 136 for bulk water purchases from Namwater. Long outstanding accounts payables relate to an amount of N\$ 897 429 for homestead compensation as a result of communal land rezoning.

Accounts payables – non-exchange transactions	420 147
Accrued on Regional Council levy - 2019	100 000
Regional Council levy – 2020	320 147
Accrued expenses	-

Accounts payables from non-exchange transactions relate to the Regional Council levy accrued for the financial year ended 30 June 2019 and 2020.

12. Employee provisions

	714 861
Provision for bonus	575 606
Increase in leave contribution	80 327
Separation gratuity	58 928

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

Separation gratuity and bonus provision unwind on an annual basis whereas the leave provision increases or decreases in proportion to leave days accumulated or taken by the employees and changes in salary scales.

	3 636 428
Severance pay provision	931 227
Leave provision	2 070 667
Provision for bonus	575 606
Separation gratuity	58 928
Severance pay	
Severance pay provision- 2020	944 883
severance pay provision - 2019	-
Movement in severance pay	944 883
Severance pay-out	(13 656)
Adjusted severance pay provision	931 227

Management raised employee provisions in the form of severance pay provision, leave provision, and bonus provision as set out above, and it is management judgement that the provisions reflect the best estimate of the expenditure required to settle the present obligation as at the reporting date.

All the provisions above relate to Town Council employees in service as at the reporting date. Movement in leave provision is attributable to accumulation or reduction in leave days while the bonus provision is calculated based on timing of birthday dates for Town Council staff.

Separation gratuity is paid to Town Council employees who are employed on contract basis.

13. Other provisions	6 299 554
Homesteads	6 223 919
Provision for survey costs	75 635

The provision raised on homesteads compensation is a recognition of a present obligation as a result of rezoning communal land into urban Town planning. As at 30 June 2020, there were 7 families affected by the rezoning exercise and have all signed contracts with the Town Council paving way for their compensation and relocation.

The provision for survey costs relate to Town planning errors where a house was constructed on land reserved for a public open space.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

An outflow of economic benefits or service potential associated with rezoning can be reliably estimated to be N\$ 75 635.

14. Consumer deposits

Consumer deposits as per prior year FS	447 638
New consumer registered	47 798
Consumer refunds	(1 650)
Prior year understatement	500
Unadjusted consumer deposits balance	494 286
Consumer deposits attributable to accounts written-off	(7 405)
Adjusted closing balance as at 30 June 2020	486 881

Consumer deposits are held by the Town Council as security of default on water accounts.

15. Unearned revenue

Unearned revenue	59 200
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Unearned revenue comprises advance payment by customers on accounts as at the reporting date. Okahao Town Council had not offered an exchange of equal value to the customers in return.

16. Retention fees

	366 418
Shikongo construction	121 504
Save World	165 692
Kambwa Construction	79 222

Retention on Shikongo construction relates to tender W/ONB/OTC-01/2018/19 for the construction of a sewer pump station and rising main in extension 9 phase 2. Retention on Save the World relates to the construction of medium to low voltage electrical infrastructure for Okahao extension 9. Retention on Kambwa relates to tender W/RB/OTC-01/2018/19 for the construction of roads and surfacing with Bitumen.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

17. Unknown deposits

Unknown deposits	52 555
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Unknown deposits comprise bank deposits which the Town Council could not allocate to specific customer accounts or could not process a refund due to unavailability of depositor identity details. Based on past practices, most of the unallocated bank deposits get cleared in the following financial year thereby reducing accounts receivables. None of such funds have ever been refunded to individuals claiming an error of depositing to wrong account.

18. Service charges

	11 509 497
Electricity sales	59 280
Water sales	6 576 173
Refuse removal	1 661 472
Water basic	1 516 187
Sewerage	1 696 385

19. Sales of erven

Sales of erven	5 711 925
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Erven sales during the year were in extension 2 (7 residential plots were sold to developers), plots 3, and 9, (50 to Shack-dweller federation of Namibia, 70 to NHE, 22 to Build Together housing program). All plots were fully serviced as at the date of sale. Erven sales include plots for cash and on account.

20. Rental income

	347 601
Rental - open market	71 218
Rental technical incubators	276 383

Rental income for the open market and technical incubators is below market rates.

The assets from which rental income is derived are assets constructed by the Town Council with the objective of assisting local entrepreneurs and do not meet the definition of investment assets as per IPSAS 16 Investment property paragraph 7, 10 & 13 (f).

21. Surcharge income

Surcharge	448 788
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Surcharge income is derived from electricity sales with Okahao Town Council area. This is an arrangement with Nored the power distributor. During the financial year, 7 479 800 units were sold.

TOWN COUNCIL OF OKAHAO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

22. Interest	8 653 996
Interest on investment	309 582
Interest on overdue accounts	7 966 670
Interest on operational accounts	26 457
Interest on capital projects	19 202
Interest BT	88
Other interest	95 384
Interest on BT loans	236 613
23. Other revenue	2 409 317
Photocopies and faxes	1 520
Leasehold/PTO	414 845
Tender fees	1 600
Building plans approval	83 783
Administration fee	371 990
Meat inspection	6 338
Advertising – billboards	100 485
Promotional material	12 295
Dog licenses	814
Baobab heritage site	15 900
Business registrations	93 136
Ehao Expo	2 095
Water connections	78 342
Reconnections and disconnections	146 215
Fire brigade service	139 530
Sewer connection	75 096
Road infrastructure	88 911
Income from valuation and deeds certificates	54 990
Income from fitness certificates	126 327
Sand sales & truck hire	400 072
Other income	76 864
Discount received	21 565
Ticket sales	87 588
Fundraising activities	9 016

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

24. Property rates and taxes

Property rates and taxes	6 402 950
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Property rates are assessed on improvements and property (land) owned by residents and businesses in Okahao Town Council area in terms of Section 73 of the Local Authorities Act (Act No. 23 of 1992).

25. Government and other department transfers

Government transfers	9 231 717
Government transfers	8 150 867
RFA	950 850
OAG - training grant	130 000

Government transfers were for capital projects and the Town Council did not receive any operational grants during the financial year. All transfers have been utilized on capital projects and there are no undrawn balances as at reporting date. The Office of the Auditor-General grant is for skills development for finance and accounting staff of Okahao Town Council.

26. Pledges and penalties

Penalties	62 520
Penalties	28 820
Pledges and sponsorship	33 700

Pledges reported are the pledges received by the Town Council and there are no contingent assets attributable to amounts recognised in these financial statements.

TOWN COUNCIL OF OKAHAO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

27. Employee costs	14 261 306
Salaries & Wages	9 929 974
Contract Employee	436 762
Bonus / 13 th Cheque	560 852
Employer Contribution to Pension	1 398 793
Employer Contribution to Medical Aid	1 277 651
Leave provision	80 327
Employer Contribution to SSC Compensation Fund	48 812
Employer Contribution to Social Security	33 683
Separation gratuity	58 928
Severance pay	13 656
Leave gratuity	54 262
Bonus provision	367 606

27. Employee costs (continued)

Councilors' remuneration	510 686
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Councilor's remuneration was paid as Gazetted.

Remuneration for Okahao top management

	Chief executive officer	Manager: Finance	Manager: Technical
	N\$	N\$	N\$
Basic salary	477 537	384 480	384 480
motor vehicle	108 770	97 667	97 667
housing allowance	191 015	153 792	153 792
Cell-phone allowance	14 400	9 600	9 600
Pension contributions	8 635	6 953	6 953
Medical Aid	6 910	8 130	35 675
Social Security Commission contributions	81	81	81
Total remuneration	807 348	660 703	688 248

Remuneration of key management personnel responsible for the strategic direction of Okahao Town Council has been set out above in line with the provisions of IPSAS 20, Related Parties paragraph 21. There were no changes to the top management as a result of death, retirement, lawful termination or other during the year. There were no loans made to management during the financial year and other years prior.

ANNEXURE E

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

28. Adjustments to accumulated surplus or deficit		(14 457 253)
Allowance for doubtful debts		(13 894 460)
Depreciation on intangible asset		20 249
Accounts payables - Nexus		116 224
Regional Council levy - accounts payables		(100 000)
Corrections of errors from prior periods - (appropriation)		(1 926 181)
Correction of errors from prior periods - (appropriation)		(42 800)
Consumer deposits understatement		(500)
5% Regional Council levy - 2019		(171 574)
Accumulated depreciation on investments		1 541 789
29. Cash received from customers		25 668 569
Opening accounts receivables		4 029 834
Revenue (exclusive of government transfers)		28 116 764
Closing accounts receivables		(6 478 029)
30. Reconciliation of Net cash flows from operating activities to surplus/deficit		
Depreciation		2 656 475
Allowance for doubtful debts		1 595 625
Employee provisions		714 861
Provisions - homesteads		6 223 919
Decrease in accounts payables	30.1	(717 373)
Decrease in accounts receivables	30.2	(4 043 819)
Increase in inventory	30.3	(56 264)
Decrease in VAT receivable	30.4	451 368
Interest	30.5	(7 429 830)
OAG grant		(130 000)
Increase in prepayments	30.6	(111 624)
Retention Fee	30.7	366 418
Unearned revenue	30.8	59 200
Increase in consumer deposits	30.9	32 153
Unknown movements		334 911
Net cash movements		(53 980)

ANNEXURE E

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

Working capital changes**Accounts payables**

Accounts payables as at 30 June 2020	1 968 834	
Accounts payables as at 30 June 2019	(2 686 207)	
Decrease		30.1
		(717 373)

Accounts receivables

Accounts receivables as at 30 June 2020	(27 908 844)	
Accounts receivables as at 30 June 2019	2 3865 025	
Increase		30.2
		(4 043 819)

Inventory

Balance as at 30 June 2020	15 873 330	
Attributable to recognition of erven	(15 7 12 804)	
	(216 790)	
Balance as at 30 June 2019		
Increase		30.3
		(56 264)

Value added tax receivable

VAT as at 30 June 2020	(1 212 808)	
VAT as at 30 June 2019	1 664 176	
Decrease		30.4
		451 368

Interest charged

(7 966 670)

Interest received

536 840

Outstanding**30.5** **(7 429 830)****Prepayments**

Prepayments as at 30 June 2020	(111 624)	
Prepayments as at 30 June 2019	-	
Increase		30.6
		(111 624)

ANNEXURE E

TOWN COUNCIL OF OKAHAO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (continued)

Retention Fee	
Shikongo construction	121 504
Save World	165 692
Kambwa Construction	79 222
Total fee retained	30.7 366 418
Unearned revenue	
Balance as at 30 June 2020	59 200
Balance as at 30 June 2019	-
Increase	30.8 59 200
Consumer deposits	
Balance as at 30 June 2020	486 881
Balance as at 30 June 2019	(454 728)
Increase	30.9 32 153

31. Contingent assets

The Town Council anticipates receiving N\$ 2 375 961 from Anguwo in an arrangement where Anguwo received a mandate to service communal lands for business and residential purposes. The Town Council does not control the timing of the inflow of service potential.