



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OKAHAO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Okahao for the financial year ended 30 June 2023 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister 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'.

WINDHOEK, December 2024

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

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

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Okahao for the financial year ended 30 June 2023. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and a summary of significant accounting policies.

Because of the significance of the matters described 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 2023 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

2. BASIS FOR ADVERSE AUDIT OPINION

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

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

2.1 OPENING BALANCES - STATEMENT OF FINANCIAL POSITION

A difference of N\$ 5 747 391 has been observed between the opening balances in the prior year annual financial statement (AFS) and the current year annual financial statement (AFS) for 2023.

The Council is recommended to disclose all adjustments/restatements done on comparative figures presented in the financial statements.

2.2 COST OF SALES

The Council recognised a total of N\$ 4 927 750 from the sale of erven, however, no expense was recognised in the financial statement relating to the items sold.

This is not in compliance with IPSAS 12 paragraph 44 that states that "when inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or related service is rendered."

The Council should ensure that when inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or related service is rendered and that those inventories are correctly de-recognised.

2.3 BASIS FOR THE IMPAIRMENT OF DEBTS

The Council's credit control policy and the accounting policies attached to the financial statements does not detail how the Council calculates its debt impairment, as a result, the audit could not confirm the accuracy and valuation of the debt impairment balance of N\$ 35 941 532 as well as the movement in debt impairment amount of N\$ 8 508 676.

The Council is recommended to ensure that it adopts and implement an accounting policy on the measurement of debt impairment.

2.4 PROPERTY, PLANT AND EQUIPMENT

Capital projects to the value of N\$ 5 210 587 completed in the prior year were incorrectly capitalised in the year under review.

The Council is recommended to capitalize assets in the correct financial accounting period.

2.5 INVENTORY

Transactions to the value of N\$ 1 363 122 under headings: professional services, capital project and subdivision and rezoning of erven were not capitalized to cost of erven.

The Council is recommended to comply with IPSAS 12 paragraph 18 which 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'.

2.6 BUILD TOGETHER LOANS

The Build Together Loans with the value of N\$ 5 697 751 were presented under non-current assets only and not differentiated between current and non-current assets. This is contrary to IPSAS 1 paragraph 76 (a)-(c) that states that an asset shall be classified as current when it satisfies the below conditions and all other assets should be classified.

- (a) It is expected to be realized in, or is held for sale or consumption in, the entity's normal operating cycle;
- (b) It is held primarily for the purpose of being traded;
- (c) It is expected to be realized within twelve months after the reporting date; or

The Council is recommended to comply with IPSAS 1 on presentation of account balances in the financial statements.

2.7 BULK WATER

Bulk water purchases amounting to N\$ 3 099 234 is incorrectly classified as an expense instead of an inventory which is not in compliance with IPSAS 12(9) (c), which states that “inventories are assets held for sale or distribution in the ordinary course of operations”

It is recommended that the Council ensures that transactions are properly classified in compliance with IPSAS 12.

2.8 PROVISION FOR THE DUMP SITE

For the past five financial years (2019 to 2023), the Council did not recognise the provision for the rehabilitation and restoration of the dumpsite. This resulted in the understatement of the cost of the dumpsite and the related liability.

IPSAS 17 paragraph 30 (c) states that “the cost of an item of property, plant and equipment shall comprise the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period”.

The Council is recommended to ensure that it recognizes the provision for the rehabilitation of the dumpsite.

2.9 OPEN LANDS

The Council did not disclose its open lands in the fixed asset register. IPSAS 23 paragraph 97 “On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment.”

It is recommended that the Council should disclose its open lands in the asset register.

2.10 THE FOLLOWING DOCUMENTS WERE NOT SUBMITTED FOR AUDIT PURPOSES:

- a. Journals related to prior year adjustments amounting to N\$ 850 925;
- b. Expenditure amounting to N\$ 1 067 151;
- c. Journal entries and completion certificates for the capitalised projects to the value of N\$ 10 245 520;
- d. Inventory (erven) listing to the value of N\$ 19 120 503;
- e. Proof of handover, actual cost and/or valuations of the stalls constructed from a recognised donation of N\$ 600 000; and
- f. Other revenue amounting to N\$ 2 847 944.

It is recommended that the Council should ensure that all supporting documents are provided for verification purpose at all times.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statement for the 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 my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation, and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during 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.

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

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

The financial statements for the financial year ended 30 June 2023 were not submitted in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992) that requires the Council to submit its financial statements three months after financial year end. Financial statement was submitted on 22 January 2024.

SUBSISTENCE AND TRAVEL ALLOWANCE

The Council implemented a new policy for traveling and subsistence, however, the Council did not submit the relevant signed and approved Council minutes. Furthermore, the Council did not seek endorsement from the Minister, which is not in compliance with the Local Authority Act (Act 23 of 1992), paragraph 18(2), which states that any remuneration, allowances, or other benefits provided by a Council must not exceed those determined by the Minister. The rates are presented below:

Rate 1: Accommodation, meals and incidental expenses

Region	Mayor, Deputy Mayor, Chairperson of MC and CEO		Councillor's, Head of Departments and Staff Members	
	Day	Hour	Day	Hour
All Regions	1 248	52	1 200	50

Rate 2: Meals and incidental expense

Region	Mayor, Deputy Mayor, Chairperson of MC and CEO		Councillor's, Head of Departments and Staff Members	
	Day	Hour	Day	Hour
All Regions	450	18.75	402	16.75

Rate 3: Incidental expense

Region	Mayor, Deputy Mayor, Chairperson of MC and CEO		Councillor's, Head of Departments and Staff Members	
	Day	Hour	Day	Hour
All Regions	300	12.50	252	10.50

Kilometer rate payable for the use of own vehicle

The Council shall pay an amount of N\$ 7 per km travelled for the use of own vehicle when on official trip.

It is recommended that the Council ensures that all source documents are submitted for audit and Council is further recommended to comply with the Local Authority Act and seek endorsement from the Minister as stipulated in the act before implementing the policy.

PROCUREMENT OF GOODS

The Council procured goods amounting to N\$ 3 408 using the direct procurement method. However, the procurement of these goods using the direct procurement method is not in compliance with Section 36 of the Procurement Act 15 of 2015.

It is recommended that the Council ensure compliance with the Procurement Act 15 of 2015.

SECTION B: AUDIT OF PERFORMANCE INFORMATION

I conducted an audit on the performance information of the Town Council of Okahao for the period of 2023, consecutively with the audit of financial statements for the year ended 30 June 2023.

1. 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 scope 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.

2. 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.

3. 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.

4. SUMMARY OF METHODS APPLIED

I reviewed the key performance information for the strategic periods 2017/18 to 2022/23 and comprised documentation review and interviews with senior and top management. The focus of the KPI is for the year under review, 2022/23.

5. KEY AUDIT FINDINGS

5.1.1. STRATEGIC AND ANNUAL PLAN AND REPORTING

It was observed that the Council does not have a Strategic plan encompassing the period 2023, however, the Council upon recommendation of the Office of the Prime Minister utilized the last Approved Strategic Plan for the period 2017/18 to 2021/22 for the period 2023.

5.1.2. PERFORMANCE MANAGEMENT SYSTEM

In terms of the Councils Performance Management System, the Council has a draft Performance Management System policy that it has not yet been finalized and operationalized.

5.1.3. ACTIVITIES UNDRTAKEN WITHIN THE 2023 PERIOD

Review of submitted supporting documents in terms of the above criteria yielded the following results:

Criteria: Usefulness	Outcome
Sub-criterion: Relevance	The strategic objectives are relevant to the Mandate of the Council and aligned to National Planning Documents.
Sub-criterion: Measurability	Could not be ascertained due to non-submission of documents for forty-five (45) out of sixty-two (62) Key Performance Indicators (or 73% of total KPIs).
Sub-criterion: Consistency	KPIs were not consistent between the Strategic Plan for 2017/18 to 2021/22 and the Annual Plan for 2023 as 11 KPIs were not cascaded to the Annual Plan from the Strategic Plan and 23 KPIs were added to the Annual Plan that were not on the Strategic Plan.
Criteria: Reliability	Could not be ascertained due to non-submission of documents for forty-five (45) out of sixty-two (62) Key Performance Indicators (or 73% of total KPIs).

5.1.4. PERFORMANCE AGREEMENTS

The Council did not submit any performance agreements for the 2023 period.

Impact

The above posed a significant limitation on the auditors to ascertain whether performance information is useful and reliable. The non-submission of requested information contravenes the State Finance Act, 1991 (Act 31 of 199), Section 26 and furthermore, the KPI's were not consistent between the Annual Plan 2023 and the Strategic Plan.

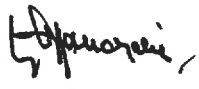
Recommendation

It is recommended that the Council ensure that all supporting documents are provided for audit purposes and that KPI's are consistently applied for all relevant years of the Strategic Plan.

8. ACKNOWLEDGEMENT

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

WINDHOEK, December 2024


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

TOWN COUNCIL OF OKAHAO
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Legal form of entity	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
Nature of business and principal activities	Principal activities of Town Council of Okahao are: <ul style="list-style-type: none"> • providing its residents with equitable municipal services; • ensuring sustainable service delivery to all its inhabitants; and • Promoting social and economic development within the municipal area.
Council Mayor	Cornelia N Iiyambula
Councilors	Julia M Katoole - Dep. Mayor Johannes K Uushini – Chairperson of MC Andreas E Nekwaya Aina K Amalovu Petrus S Shaanika Magdalena I Iitula
Grading of local authority	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
Chief Executive Officer	Junias Shawapala Jakob
Management team	Efraim Tshivute Shikesho Simon Shinguto
Registered office	Okahao
Postal address	PO Box 699 Okahao Namibia
Auditors	Auditor-General of Namibia

TOWN COUNCIL OF OKAHAO
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

IPSAS	International Public Sector Accounting Standards
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TOWN COUNCIL OF OKAHAO
ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Accounting Officer is required by the Local Authorities Act 23 of 1992, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IPSAS) including any interpretations, guidelines and directives issued by the Public Sector Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, sets standards for internal control aimed at reducing the risk of error in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages 14 to 61, which have been prepared on the going concern basis, were approved on 22 December 2023 and were signed by:

Approval of financial statements

Junias Shawapala Jakob
Acting Chief Executive Officer

Efraim Tshivute Shikesho
Manager Finance and ICT

ANNEXURE A

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

	Note	2023	2022
		N\$	N\$
Assets			
Current Assets		47 243 562	48 798 761
Cash and cash equivalents	10	15 818 482	19 649 164
VAT receivable	12	777 599	122 789
Receivables from exchange transactions	13	11 227 461	9 712 468
Inventory	15	19 420 020	19 314 340
Non-Current Assets		168 687 592	157 950 762
Property, plant and equipment	16	162 969 591	152 183 121
Intangible assets		20 250	20 250
Housing loans	14	5 697 751	5 747 391
Total Assets		215 931 154	206 749 523
Current Liabilities		15 063 790	13 415 251
Payables under exchange transactions	17	13 775 772	12 517 054
Provisions		1 288 018	898 197
Total Liabilities		15 063 790	13 415 251
Reserves		200 867 364	193 334 272
Accumulated surplus		200 867 364	193 334 272
Total Equity and Liabilities		215 931 154	206 749 523

ANNEXURE B

TOWN COUNCIL OF OKAHAO
STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE

	Note	2023	2022
Revenue			
Revenue from non-exchange transactions		14 503 232	18 056 478
Taxation revenue			
Property rates		10 997 327	10 677 342
Transfer revenue			
Transfers from government and related entities	3	2 620 087	7 296 797
Public contributions and donations		827 185	27 000
Fines, penalties and levies		58 633	55 339
Revenue from exchange transactions		35 637 626	33 262 551
Sale of erven		4 927 750	3 669 280
Service charges	4	13 888 729	12 971 628
Surcharges and interest		542 120	520 018
Rental of facilities and equipment usage		1 259 074	1 179 268
Licences and permits		21	-
Other revenue	5	2 122 672	1 482 946
Interest earned on investments		1 519 239	940 222
Interest earned on outstanding debtors		11 378 021	12 499 189
Total revenue	2	50 140 858	51 319 029
Expenses		(43 458 715)	(42 517 705)
Bulk purchases	6	(4 423 915)	(4 275 853)
Employee costs	7	(15 678 873)	(13 355 643)
Depreciation and amortisation expense		(2 886 171)	(2 435 586)
Repairs and maintenance		(1 355 165)	(2 855 568)
Debt impairment		(8 508 676)	(12 240 150)
General expenses	9	(10 605 915)	(7 354 905)
Surplus for the year		6 682 143	8 801 324

ANNEXURE C

TOWN COUNCIL OF OKAHAO
STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED
30 JUNE

	Accumulated surplus	Total net assets/equity
	N\$	N\$
Balance at 1 July 2021	184 532 948	184 532 948
Changes in net assets/equity		
Surplus for the year	8 801 324	8 801 324
Total changes	8 801 324	8 801 324
Opening balance as previously reported	193 334 272	193 334 272
Adjustments		
Prior year adjustments	850 952	850 952
Balance at 1 July 2022 as restated*	194 185 224	194 185 224
Changes in net assets/equity		
Surplus for the year	6 682 143	6 682 143
Total changes	6 682 143	6 682 143
Balance at 30 June 2023	200 867 367	200 867 367

TOWN COUNCIL OF OKAHAO
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE

	Note	2023	2022
		N\$	N\$
Cash flows from operating activities			
Surplus		6 682 143	8 801 324
Adjustments for:			
Depreciation and amortisation expense		2 886 171	2 435 586
Debt impairment		8 508 676	12 240 150
Movements in provisions		389 821	14 274
Direct adjustments to net assets (cash)		850 951	2 488 502
Changes in working capital:			
Inventory		(105 680)	251 374
Receivables from exchange transactions		(1 514 993)	(188 402)
Debt impairment		(8 508 676)	(12 240 150)
Prepayments		-	80 178
Payables under exchange transactions		1 258 717	2 052 924
VAT		(654 810)	748 891
Net cash flows from operating activities		9 792 320	16 684 651
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(13 672 642)	(13 148 485)
Proceeds from sale of housing loans		49 640	-
Net cash flows from investing activities		(13 623 002)	(13 148 485)
Net increase/(decrease) in cash and cash equivalents		(3 830 682)	3 536 166
Cash and cash equivalents at the beginning of the year		19 649 164	16 054 398
Cash and cash equivalents at the end of the year	10	15 818 482	19 590 564

The accounting policy on pages 22 to 40 and the notes on pages 41 to 61 form an integral part of the annual financial statements.

**TOWN COUNCIL OF OKAHAO
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR JUNE 2023**

Budget on Cash Basis

Figures in Namibia Dollar

	Approved budget N\$	Final Budget N\$	Actual amounts on comparable basis N\$	Difference between final budget and actual N\$	Reference
Revenue from non-exchange transactions	13 788 600	13 788 600	14 503 232	714 632	
Property rates	12 000 000	12 000 000	10 997 327	(1 002 673)	
Other revenue					
Transfers from other government entities	2 488 600	2 488 600	2 620 087	131 487	R3
Public contributions and donations	(750 000)	(750 000)	827 185	1 577 185	R4
Fines, penalties and levies	50 000	50 000	58 633	8 633	R1
Revenue from exchange transactions	23 440 500	23 440 500	35 637 626	12 197 126	
Sale of goods	3 345 000	3 345 000	4 927 750	1 582 750	
Service charges	16 000 000	16 000 000	13 888 729	(2 111 271)	R4A
Royalty income	650 000	650 000	542 120	(107 880)	
Rental of facilities and equipment	1 373 500	1 373 500	1 259 074	(114 426)	R5
Licences and permits	-	-	21	21	
Other revenue	1 422 000	1 422 000	2 122 672	700 672	R8
Interest earned - external investments	400 000	400 000	1 519 239	1 119 239	R9
Interest earned - outstanding debtors	250 000	250 000	11 378 021	11 128 021	R10
Total revenue	37 229 100	37 229 100	50 140 858	12 911 758	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR JUNE 2023

	Approved budget N\$	Final Budget N\$	Actual amounts on comparable basis N\$	Difference between final budget and actual N\$	Reference
Expenditure					
Bulk purchases	(7 300 000)	(7 300 000)	(4 423 915)	2 876 085	R11
Employee cost	(10 977 040)	(10 977 040)	(15 678 873)	(4 701 833)	R11A
Depreciation and amortisation expense	-	-	(2 886 171)	(2 886 171)	R13
Repairs and maintenance	(1 380 000)	(1 380 000)	(1 355 165)	24 835	R14
Debt impairment	-	-	(8 508 676)	(8 508 676)	R16
General expenses	(7 647 500)	(7 647 500)	(10 605 915)	(2 958 415)	R18
Total expenditure	(27 304 540)	(27 304 540)	(43 458 715)	(16 154 175)	
SURPLUS/(DEFICIT)	9 924 560	9 924 560	6 682 143	(3 242 417)	

TOWN COUNCIL OF OKAHAO
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR JUNE 2023

Figures in Namibia Dollar	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	N\$
Assets				
Current Assets	(120 000)	(120 000)	47 243 562	47 363 562
Cash and cash equivalents	-	-	15 818 482	15 818 482
VAT receivable	-	-	777 599	777 599
Receivables from exchange transactions	(120 000)	(120 000)	11 227 461	11 347 461
Inventory	-	-	19 420 020	19 420 020
Non-Current Assets	11 093 400	11 093 400	168 687 592	157 594 192
Property, plant and equipment	11 093 400	11 093 400	162 969 591	151 876 191
Intangible assets	-	-	20 250	20 250
Housing loans	-	-	5 697 751	5 697 751
Total Assets	10 973 400	10 973 400	215 931 154	204 957 754

ANNEXURE E

**TOWN COUNCIL OF OKAHAO
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR JUNE 2023**

Figures in Namibia Dollar	Approved budget N\$	Final Budget N\$	Actual amounts on comparable basis N\$	Difference between final budget and actual N\$
Liabilities				
Current Liabilities			15 063 790	15 063 790
Payables under exchange	-	-	13 775 772	13 775 772
Provisions	-	-	1 288 018	1 288 018
Net Assets	10 973 400	10 973 400	200 867 364	189 893 964
Net Assets				
Net Assets				
Net Assets/Equity Attributable to Owners of Controlling Entity				
Reserves				
Accumulated surplus	9 924 560	9 924 560	200 867 362	1 90 942 802
Undefined difference	1 048 840	1 048 840	2	(1 048 838)
Total Net Assets	9 924 560	9 924 560	200 867 364	190 942 802

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

EXPLANATION TO REFERENCE NOTES ON STATEMENT OF COMPARISON OF
BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Note: Council is not required to prepare and publish Budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS 24.5, from preparing the Statement of Comparison of the Budget and Actual Amounts for those statement in.

- R1: It was under-budgeted for fines as it was not anticipated that more fines will be issued.
R2: It was under budgeted for business registration fees.
R3: There was less funds transferred from government for services rendered by the suppliers due to cash flow problem.
R4: There was no budget for public contributions and donations as it is difficult to predict total receipt without commitment from donors.
R4A: It was under Budgeted for water sales in anticipation that houses under NHE would have been completed.
R5: Royalties from NORED is still based on estimates thus no significant increase in revenues as compared to the number of customers connected during the year.
R6: It was not budgeted for gains on defined benefits resulting in a favourable variance.
Note that none cash items are not included in the budget submitted to the Minister for approval.
The Actual payments, current service costs and related are included as part remuneration.
R7: No provision was made for this item.
R8: There was under budget for all items.
R9: It was under budgeted because invested funds were supposed to be used up for construction of Council Chamber, CEO and Mayor's offices.
R10: It was under budgeted because it was anticipated that most debtors will settle their accounts through the Councils De Debt incentive programme.
R11: Over Budgeted on water bulk purchases due to the assumption that bulk users will consume more water during the period under review.
R11A: Savings are derived as a result of staff turn-over and budgeted positions not filled as planned during the year and there was no salary increase as agreed.
R12: Councillor's remunerations remained the same during the year.
R13: Depreciation and impairment of assets are non-cash items thus not budgeted for Ministerial approval however Capital expenditure is.
R14: Maintenance of roads was under budgeted as it was only budgeted as per the RFA allocation which is low in comparison to the value of the work needed to be carried out.
R15: There was no provisions made for this item.
R16: It was under-budgeted for debt impairment.
R17: It was under-budgeted for debt impairment.
R18: It was under-budgeted.
R19: The favourable variance is mainly due to savings realised from cost-cutting measures which eased cash flow.

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

1. Presentation of annual financial statements

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

Revenue recognition

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

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

1.1 Significant judgements and sources of estimation uncertainty (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset outing IPSAS9 (Revenue from Exchange Transactions) and IPSAS23 (Revenue from Non-exchange Transactions). As far as Revenue from non-exchange transactions is concerned (see Basis of Preparation above), and, in particular, whether the Council, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Council is satisfied that recognition of the revenue in the current year is appropriate.

Impairment of Financial Assets

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

Impairment of Trade Receivables (Debtor)

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

Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 1.4, and 1.5, the Council depreciates its Property, plant and equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

1.1 Significant judgements and sources of estimation uncertainty (continued)**Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, and Inventory**

Accounting Policy 1.6 on Impairment of Assets, Accounting Policy 1.5 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 1.8 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Council. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

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

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible Assets and Investment Property are disclosed in Notes 23, 24, 25 and to the Annual Financial Statements, if applicable.

1.2 Revenue from non-exchange transactions

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

Rates and Taxes

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

Government Grants and Receipts

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

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

1.2 Revenue from non-exchange transactions (continued)

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

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

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines constitute both spot fines and summonses.

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

Bequests

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

Public Contributions

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

Services in-kind

Services in-kind are recognised as revenue and as assets.

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

1.3 Revenue from exchange transactions

Sale of goods (including Houses)

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

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

Service Charges

Service Charges are levied in terms of the approved tariffs.

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

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

Service Charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and/or zoning of each property. All properties are levied based on the number of toilets as per the approved building plan, using the tariffs approved by Council, and are levied monthly.

Prepaid Electricity

Revenue from the prepaid sales is recognised at the point of sale.

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023****1.4 Property, plant and equipment****Initial Recognition**

Property, Plant and Equipment are initially recognised at cost.

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

Subsequent Measurement

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

Depreciation

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

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

Item	Average useful life
Buildings	
• Improvements	8 - 80
Infrastructure	
• Roads and storm water	8 - 80
• Sanitation	10 - 90
• Solid waste	5 - 80
• Water	10 - 90
Community	
• Facilities	8 - 80
Other	
• Computer equipment	5 - 15
• Emergency equipment	5 - 15
• Furniture and fittings	5 - 25
• Motor vehicles	5 - 15
• Office equipment	5 - 25
• Plant & equipment	5 - 50
• Specialised vehicles	5 - 15

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

1.4 Property, plant and equipment (continued)

Land

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

Incomplete Construction Work

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

Derecognition

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

1.5 Intangible assets

Initial recognition

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

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

Intangible Assets are initially recognised at cost.

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

The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. 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 2023**

1.5 Intangible assets (continued)

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

Subsequent Measurement, Amortisation and Impairment

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

Derecognition

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

1.6 Impairment of cash-generating assets

The Council classifies all assets held with the primary objective of generating a commercial return as cash generating assets. All other assets are classified as non-cash generating assets.

The Council assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

1.6 Impairment of cash-generating assets (continued)

The Council assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.7 Impairment of non-cash-generating assets

The Town Council assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The Town Council assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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

1.7 Impairment of non-cash-generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.8 Financial instruments

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

Initial Recognition

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

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

Fair Value Methods and Assumptions

The fair value of financial instruments are determined as follows:

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

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

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

1.8 Financial instruments (continued)

Classification

Class	Category
Loan 1	Financial asset measured at amortised cost
Loan 2	Financial asset measured at amortised cost
Loan 3	Financial asset measured at amortised cost
Other receivables 1	Financial asset measured at amortised cost
Other receivables 2	Financial asset measured at fair value

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

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

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

Class	Category
Loan 1	Financial liability measured at amortised cost
Loan 2	Financial liability measured at amortised cost

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

At Fair Value through Surplus or Deficit

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

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial Liabilities: At Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at Fair Value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

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

Prepayments are carried at cost less any accumulated

Impairment losses. Impairment of Financial Assets:

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

Financial Assets at Amortised Cost

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

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

1.8 Financial instruments (continued)

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

1.9 Inventory

Initial Recognition

Inventory is initially measured at cost except where inventory is acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition. The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

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

1.9 Inventory (continued)

Where inventory are acquired by the Town Council for no or nominal consideration (i.e., a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods.

Inventory sold are valued at the lower of cost and net realisable value. The cost is determined using the FIFO method.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the FIFO method.

Water Inventory

Water is regarded as inventory when the Town Council purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Town Council has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the Town Council but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the Weighted Average Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in the distribution network at year-end.

Other Arrangements

Redundant and slow-moving inventory identified are written down from cost to current replacement cost, if applicable.

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

1.9 Inventory (continued)

Inventory identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such inventory at the lower of cost and current replacement cost or net realisable value, are recognised in surplus or deficit in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Provisions and contingencies

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

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

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

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

1.10 Provisions and contingencies

Contingent assets and contingent liabilities

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

1.11 Employee benefits

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

Short-term employee benefit

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

Post-employment benefits

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

1.12 Related parties

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

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

1.13 Budget information

The annual budget figures have been prepared in accordance with IPSAS and are consistent with the accounting policies adopted by the Council for the preparation of these annual financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over-or under spending online items. The annual budget figures included in the annual financial statements are for the Town Council and do not include budget information relating to subsidiaries or associates.

These figures are those approved by the Council at the beginning and during the year following a period of consultation.

The approved budget covers the period from 1 July 2022 to 30 June 2023.

1.14 Going concern assumption

Though the Town Council was not spared from the impact of Covid-19 and related effects, the Town Council have prepared the annual financial statements under the going concern assumption, based on management assumptions that it has adequate resources and cash flow projection for the coming year present a positive outlook. In addition, Council receives adequate support from central government.

1.15 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Net assets**Accumulated surplus**

The accumulated surplus contains accumulated surpluses, after appropriations to and from statutory funds.

1.19 Grants-In-Aid

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

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

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

1.20 Value Added Tax

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

1.21 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in notes to the annual financial statements.

TOWN COUNCIL OF OKAHAO

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

	2023	2022
	N\$	N\$
2. Revenue	50 140 858	51 319 029
Sale of goods	4 927 750	3 669 280
Service charges	13 888 729	12 971 628
Royalty income	542 120	520 018
Rental of facilities and equipment	1 259 074	1 179 268
Licenses and permits	21	-
Interests received on overdue account	11 378 021	12 499 189
Other income	2 122 672	1 482 946
Interest received - investment	1 519 239	940 222
Property rates	10 997 327	10 677 342
Transfers from other government entities	2 620 087	7 296 797
Public contributions and donations	827 185	27 000
Fines penalties and levies	58 633	55 339

The amount included in revenue arising from exchanges of goods or services are as follows:

	35 637 626	33 262 551
Sales of goods	4 927 750	3 669 280
Service charges	13 888 729	12 971 628
Royalty income	542 120	520 018
Rental of facilities and equipment	1 259 074	1 179 268
Licences and permits	21	-
Interests received on overdue Account	11 378 021	12 499 189
Other income	2 122 672	1 482 946
Interest received - investment	1 519 239	940 222

TOWN COUNCIL OF OKAHAO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE

	2023 N\$	2022 N\$
The amount included in revenue arising from non-exchange transactions is as follow:		
	14 503 232	18 056 478
Taxation revenue		
Property rates	10 997 327	10 677 342
Transfer revenue		
Transfer from other government entities	2 620 087	7 296 797
Public contributions and donations	827 185	27 000
Fines, penalties and levies	58 633	55 339
3. Transfers from government and related entities	2 620 087	7 296 797
Operating grants	-	-
Road Fund Administration	893 400	-
Capital grants	-	-
GRN - Development capital	1 726 687	7 296 797
4. Service charges	13 888 729	12 971 628
Sale of electricity	46 059	81 640
Sale of water	9 793 958	9 147 619
Sewerage and sanitation charges	2 016 902	1 868 093
Refuse removal	2 031 810	1 874 276

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

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

	2023	2022
	N\$	N\$
5. Other income	2 122 672	1 482 946
Building plan fees	94 301	93 832
Business fitness certificate fees	210 352	173 243
Meat inspection	6 114	7 612
Billboard advertising	113 070	109 530
Valuation and related fees	53 147	61 535
Sundries	326 182	161 003
Sewer and water connection fees	330 646	161 616
Fire brigade fees	181 889	167 674
Administration fees	84 600	149 600
Disconnection and reconnection fees	189 380	147 680
Road infrastructure fees	157 494	143 854
Business registration fees	127 006	105 767
Income from Mayoral Funds	248 491	-
6. Bulk purchases	4 423 915	4 275 853
Electricity	1 324 681	1 163 076
Water	3 099 234	3 112 777

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

7. Employee related costs	15 678 873	13 355 643
Basic	11 587 249	10 014 301
Employer Contribution to Medical Aid	1 911 620	1 382 752
Employer Contribution to Pension	1 625 065	1 338 129
Employer Contribution to SSC	35 793	32 111
Leave pay provision charge	(72 820)	59 062
13th Cheques	591 966	529 288
Chief Executive Officer	1 043 407	1 023 610
Annual Remuneration	491 868	477 537
Car Allowance	108 770	108 770
13th Cheques	40 989	39 795
Contributions to SSC, Medical and Pension Funds	205 033	206 493
Housing Allowance	196 747	191 015

TOWN COUNCIL OF OKAHAO

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

	2023 N\$	2022 N\$
Other Executives	1 686 994	1 646 036
Annual Remuneration	792 048	768 960
Car Allowance	195 334	195 334
13th Cheque	66 004	64 080
Contributions: Social Security Commission, Medical and Pension Funds	316 789	310 078
Housing Allowance	316 819	307 584
8. Remuneration of Councillors	510 686	510 686
Mayor	89 500	89 500
Deputy Mayor	76 951	76 951
Management Committee Chairperson	80 733	80 733
Management Committee Members	134 334	134 334
Ordinary Councillors	129 168	129 168
In-kind benefits		
Councillors may utilise official Council transportation when engaged in official duties.		
9. General expenses	10 605 915	7 354 905
Other expenses	1 487 524	548 308
Advertising	110 565	211 902
Bank charges	450 503	417 897
Catering & entertainment cost	215 011	133 656
Refuse bins	13 095	-
Cleaning	76 544	59 410
Consulting and professional fees	888 260	1 068 104
Donations	21 525	6 498
Fuel and oil	506 905	314 701
IT expenses	371 608	180 333
Insurance	425 534	266 726
Emergency and disaster expenses	-	34 761
Levies - 5% Regional Council	549 851	533 867
Motor vehicle expenses - licenses	178 924	53 543
Postage, courier and telephone	106 141	126 350
Printing and stationery	164 764	78 476
Promotions and sponsorships	90 128	1 260
Protective clothing	12 411	25 254
Refuse removal	872 600	851 985

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

	2023	2022
	N\$	N\$
9 General expenses (continued)		
Rezoning and subdivision	917 697	897 578
Security (Guarding of municipal property)	911 005	795 146
Sport and Recreation	198 100	-
Subscriptions and membership fees	54 300	60 096
Telephone and fax	380 374	200 848
Training	284 707	77 013
Travel - local	1 213 163	411 193
Homestead compensation	104 676	-
10. Cash and cash equivalents	15 818 482	19 649 164
Cash on hand	1 094	969
Bank balances	15 817 388	19 648 195

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

No other restrictions have been imposed on the Town Council in terms of the utilisation of its Cash and Cash Equivalents. Short term deposits consist of Call Deposits and Fixed deposits.

11. Employee benefit obligations

The amounts recognized in the statement of financial position are as follows:

Post-retirement Health Care Benefits Liability

	(40 193 084)	(40 193 084)
Opening balance	(40 193 084)	49 790 639
Net expense recognized in the statement of financial performance	-	(89 983 723)

The amounts recognised in the Statement of Financial Performance are as follows:

The Town Council offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

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

11. Employee benefit obligations

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. All continuation members and their eligible dependants receive a subsidy of 50% of a benchmark option, depending on which medical aid scheme they participate in, and irrespective of the actual option they are on. However, the subsidy will not exceed 100% of the total contribution due in respect of a continuation member (and their eligible dependants).

Eligible employees will receive a post-employment subsidy in line with the above should they be a member of a medical scheme at retirement. Upon a member's death-in-service or death-in-retirement the surviving dependants will receive the same subsidy.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The liability in respect of past service has been estimated as follows:

	2023	2022
	N\$	N\$
Opening balance	293 815 000	293 815 000

The Town Council makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Renaissance

Key assumptions used

Assumptions used at the reporting date:

While the expected retirement age of male and female was 60 years (2023: 60 years).

General:

It is assumed that the employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits receivable and the contributions payable would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

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

11. Employee benefit obligations (continued)

Continuation of Membership: Family profile

It is assumed that female spouses will be five years younger than their male counter parts. Further, it is assumed that 65% of eligible employees on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Discount rate

IPSAS 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Analyses of Actuarial Gains and Losses:

The unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: The effect of the change in the basis (assumptions), unexpected increases in the subsidies, unpredicted movements in the membership profile, and the effect of actual benefits vested being different from what was expected.

	2023	2022
	N\$	N\$
12. VAT Receivable		
VAT	777 599	122 789

VAT is payable in terms of section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment, whichever is the earlier.

No interest is payable to the Commissioner of Inland Revenue if the VAT is paid over timeously, but interest for late payments is charged in accordance with the Value-Added Tax Act. The Town Council has financial risk policies in place to ensure that payments are effected before the due date.

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

	2023	2022
	N\$	N\$
13. Receivables from exchange transactions	11 227 461	9 712 468
Trade debtors	10 348 033	8 943 627
Prepayments	214 844	104 257
Deposits	46 253	46 253
Accruals	618 331	618 331

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

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

Allowance for Impairment:

At 30 June 2023 Receivables from Exchange Transactions of N\$ 35 941 532 (30 June 2022: N\$ 40 588 514) were impaired and fully provided for.

14. Housing loans**Total receivables from exchange transactions**

Long term receivables	5 697 751	5 747 391
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The long term receivables are composed of the following:

DEVELOPMENT AND HOUSING

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

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE****14. Housing loans (continued)**

The long term receivables are composed of the following:

DEVELOPMENT AND HOUSING

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

SALE OF LAND

Stands in low income areas are sold on an instalment basis at an interest rate of 30% per annum. The loans are repayable over a period of 12 months, depending on the stipulations of the contract. The Town Council does not hold deposits or any other security for its Long-term Receivables.

15. Inventory

Finished goods

Erven

2023	2022
N\$	N\$
19 420 020	19 314 340
299 517	193 837
19 120 503	19 120 503

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realizable Value were required.

No inventories have been pledged as collateral for Liabilities of the Town Council.

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

16. Property, plant and equipment

	2023		2022	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Accumulated Carrying value and accumulated impairment
	N\$	N\$	N\$	N\$
Land	15 688 625	-	15 688 625	-
Buildings	29 069 275	(3 547 704)	25 521 571	(3 009 756)
Plant and machinery	7 932 940	(2 855 989)	5 076 951	(2 570 381)
Furniture and fixtures	1 232 042	(348 649)	883 393	(307 014)
Motor vehicles	3 617 531	(1 181 337)	2 436 194	(1 075 123)
Office equipment	1 207 567	(308 208)	899 359	(271 602)
IT equipment	788 705	(335 474)	453 231	(286 914)
Infrastructure	119 129 016	(13 342 454)	105 786 562	(11 512 853)
Work in progress	6 213 705	-	6 213 705	-
Heritage	10 000	-	10 000	-
Total	184 889 406	(21 919 815)	162 969 591	(19 033 643)
			171 216 764	152 183 121

TOWN COUNCIL OF OKAHAO
ANNEXURE F
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

16. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land	15 688 625				15 688 625
Buildings	19 781 684	6 277 835		(537 948)	25 521 571
Plant and machinery	5 209 259	153 300	-	(285 608)	5 076 951
Furniture and fixtures	358 643	566 385	-	(41 635)	883 393
Motor vehicles	769 953	1 772 455	-	(106 214)	2 436 194
Office equipment	546 094	389 871	-	(36 606)	899 359
IT equipment	268 217	233 573	-	(48 559)	453 231
Infrastructure	100 958 031	-	6 658 133	(1 829 602)	105 786 562
Work In Progress	8 592 615	4 279 223	(6 658 133)	-	6 213 705
Heritage	10 000	-	-	-	10 000
	152 183 121	13 672 642	-	(2 886 172)	162 969 591

TOWN COUNCIL OF OKAHAO

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

16. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment -
2022

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Land	-	-	-	15 688 625	-	15 688 625
Buildings	18 160 661	2 190 688	-	-	(569 665)	17 781 684
Plant and machinery	5 525 599	41 042	-	(74 761)	(282 621)	5 209 259
Furniture and fixtures	41 379	1 478	-	342 399	(26 613)	358 643
Motor vehicles	19 011	-	-	851 857	(100 915)	769 953
Office equipment	66 314	90 513	-	421 974	(32 707)	546 094
IT equipment	34 551	44 183	-	223 700	(34 217)	268 217
Capital Infrastructure	61 818 335	-	40 633 329	9 921	(1 503 554)	100 958 031
Work In Progress	18 510 911	10 780 581	(20 698 877)	-	-	8 592 615
Heritage	-	-	10 000	-	-	10 000
	104 176 761	13 148 485	19 944 452	17 463 715	(2 550 292)	152 183 121

ANNEXURE F

TOWN COUNCIL OF OKAHAO

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

	2023	2022
	N\$	N\$
17 Payables under exchange transactions	13 775 772	12 517 054
Trade payables	4 500 776	2 995 960
Provision - Homestead Compensation	6 299 554	6 299 554
Accrued leave pay	1 378 191	1 892 331
Accrued bonus	338 253	322 789
Accrued expense	668 115	448 877
Consumer deposits	590 883	557 543

Staff Leave:

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

18 Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Balance			
Severance pay	898 197	389 821	1 288 018

Reconciliation of provisions - 2022

Severance pay	883 923	14 274	898 197
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Employee benefit cost provision

Severance pay is payable under the Labour Act, Act 11 of 2007 and the provision is made for the probability of staff members who may be dismissed or die while in the employment of the Town Council; or resigns or retires on reaching the age of 65 years. The uncertainty exist due to the uncertainty around the events in which it is payable.

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

19 Related party balances:

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

During the year the Town Council rendered services to the following related parties that are related to the Town Council as indicated:

Related party balances:

	2023	2022
	N\$	N\$
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Councillors		
Cllr Andreas Nekwaya	273	108
Cllr Johannes Uushini	4 518	3 358
Cllr Julia M Katoole	10 849	43 509
Cllr Cornelia N Iiyambula	-	1 135
Cllr Magdalena I Iitula	(79)	67
Cllr Magdalena I Iitula	219 693	130 787
Executive Management		
Junias S Jakob	440	
Simon Shinguto	1 075	1 003

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

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

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

19. Related parties (continued)

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 12&13 to the Annual Financial Statements.

Purchases from Related Parties

The Town Council did not buy goods from any companies which can be considered to be Related Parties.

20 Prior period errors

1. Build Together loans were reclassified from receivables from exchange transactions to housing loans.
2. Maintenance Sewer pumps reclassified from Bulk purchases to Repairs and maintenance

Additional text

	2023	2022
	N\$	N\$
Statement of financial position		
Receivable from exchange transactions (1)	-	(5 747 391)
Housing loans receivable (1)	-	5 747 391
Statement of Financial Performance		
Maintenance sewer pumps (2)	-	200 539
Bulk purchases	-	(200 539)

21 Risk management

Financial risk management

It is the policy of the Town Council to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Town Council is exposed on the reporting date.

The entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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

21. Risk management (continued)

Risks and exposures are disclosed as follows:

Credit risk

Credit Risk is the risk of financial loss to the Town Council if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Town Council's receivables from customers and investment securities. The Town Council has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Town Council uses its own trading records to assess its major customers. The Town Council's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The Town Council limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Bank Windhoek, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Town Council has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Town Council is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the Town Council has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The Town Council limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of the Credit Control Policy, which permits the Town Council to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a clearance certificate, that the property will not be transferred until the full settlement of any debt remaining from the previous owner;

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21 Risk management (continued)

- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to use water and electricity wisely by monitoring consumption.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Town Council's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Town Council has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Town Council establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Town Council does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Town Council defines counter parties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counter parties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

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21 Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	2023	2022
	N\$	N\$
	69 462 825	75 820 326
Long term receivables from exchange (Non-current)	5 697 751	5 747 391
Trade and other receivables from exchange transactions (cost)	47 946 592	50 423 771
Cash and cash equivalents	15 818 482	19 649 164

Going concern

Management considered the following matters relating to the Going Concern:

- (i) Strict daily cash management processes are embedded in the Town Council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.
- (ii) As the Town Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

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

22 Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to the financial year end.

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23. Financial instruments disclosure

2023

Financial assets

Loans to economic entities
 Loans to directors, managers and employees
 Other receivables from non-exchange transactions

2022

Financial assets

Loans to economic entities
 Loans to directors, managers and employees

Financial liabilities

Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and cash equivalent

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of Listed Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

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23. Financial instruments disclosure (continued)

The management of the Town Council is of the opinion that the carrying value of Trade and Other Receivables recorded at amortized cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered in to between the municipality and other parties as well as the current payment ratios of the Town Council's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Town Council and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortized cost in the Annual Financial Statements to approximate their Fair Values as at 30 June 2022, as a result of the short-term maturity of these assets and liabilities.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IPSAS30. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1: Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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23. Financial instruments disclosure (continued)

Level 3: Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2023	Level 1	Level 2	Total
	N\$	N\$	N\$
FINANCIAL ASSETS			
Financial Instruments at Fair Value:	14 923 029	3 140 819	18 063 848
Listed Investments	14 923 029	-	14 923 029
Fixed Deposits	-	3 118 425	3 118 425
Cash and Cash Equivalents	-	22 394	22 394

30 June 2022	Level 1	Level 2	Level 3	Total
	N\$	N\$	N\$	N\$
FINANCIAL ASSETS				
Financial Instruments at Fair Value:	18 350 206	2 513 780	51 375	20 915 361
Listed Investments	18 350 206	-	-	18 350 206
Fixed Deposits	-	2 513 780	-	2 513 780
Cash and Cash Equivalents	-	-	51 375	51 375

No Financial Instruments of the Town Council have been transferred between Level 1 and Level 2 fair value measurements during the year.

Capital Risk Management

The Town Council manages its capital to ensure that the Town Council will be able to continue as a going concern while delivering sustainable service to consumers through the optimization of the debt and equity balance. The Town Council's overall strategy remains unchanged from 2022.

The capital structure of the Town Council consists of debt, which includes the Long-term Liabilities disclosed in Note, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 24 and the Statement of Changes in Net Assets.

