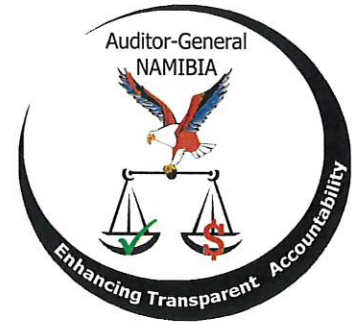




REPUBLIC OF NAMIBIA



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

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

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

WINDHOEK, February 2023

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Okakarara for the financial year ended 30 June 2021. These financial statements comprise the statement of financial position, statement of financial performance, statement of cash flow and notes to the annual financial statements for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis of Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Okakarara Town Council as at 30 June 2021 its financial performance and cash flow for the year ended.

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted the audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of the audit report. I am independent of the entity in accordance with the code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to the audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion. The adverse audit opinion is expressed due to the following:

2.1 INCOME

Included in the sale of ervens income accounts are build together instalment receipts amounting to N\$ 867 225 which do not form part of sales of ervens. The recognition of sale of ervens is not clear as the Council only records the amounts paid by clients as sales of erven income and not the full amount of the erven purchased. Also noted is that the Council did not sign agreements with beneficiaries for the ervens sold. Therefore auditors could not satisfy themselves on the accuracy and completeness of the sales of ervens income per the financial statements.

Local Authority surcharge income confirmation letter received from the Central North Regional Electricity Distributor (CENORED) amounting to N\$ 446 502 does not agree to the financial statements balance amounting to N\$ 412 885, resulting in an unexplained difference of N\$ 33 617.

The recomputed balance for interest on loan debtors based on the debtors above 120 days and the approved interest per tariff schedule amounting to N\$ 714 855 does not agree to the financial statements balance of N\$ 3 731 085 resulting in a difference of N\$ 3 016 230.

Recomputed receipts from the line ministry on the bank statements amounting to N\$ 4 386 052 differs to the general ledger balance of N\$ 4 042 304 resulting in a difference of N\$ 343 748. Letter confirming receipt funds to be disbursed from the line ministry were not available for audit verification.

It is recommended that the Council should ensure that sales of ervens is properly recognised and supporting documents are provided for audit purpose. Receipts from the line ministry on the bank statement should always agree to the general ledger.

2.2. ACCOUNTS RECEIVABLE

Included in the debtors age analysis is an amount of N\$ 1 550 261 for unknown debtors which are made up of direct deposits which were not cleared from previous years and the current year.

It is recommended that the Council ensures that direct deposit accounts are reconciled to the consumer accounts on a monthly basis to ensure that consumer accounts are regularly updated on payments made.

2.3. INVENTORY

The Town Council at any given time hold some inventories. No valuation and stock count were performed at year end and as a result there was no inventory recorded in the financial statements of the Town Council.

It is recommended that the Council should ensure that an inventory count is conducted annually and a valuation of the inventory is done based on the accounting policy of the Council.

2.4. VALUE ADDED TAX RECEIVABLES

Value added tax reconciliation based on the opening balance and returns submitted amounting to (N\$ 260 901) does not agree to the financial statements balance amounting to N\$ 448 828 resulting in a difference of N\$ 709 729. Also noted is that four out of six returns for the year were submitted late to the Receiver of Revenue.

It is recommended that the Council should ensure that the value added tax returns reconcile to the financial statements and also ensures that all returns are submitted on time to the Receiver of Revenue.

2.5. APPROPRIATION ACCOUNT

Journals for expenditure adjustments provided by the Council amounting to N\$ 6 099 170 could not be traced to supporting documents. Also noted is that the Central North Regional Electricity Distributor (CENORED) investment which is measured on cost amounting to N\$ 6 163 737 was adjusted through appropriation account resulting in the misstatement of the investment amounting to N\$ 6 163 737. Therefore auditors could not satisfy themselves on the accuracy, completeness, and valuation of the above-mentioned expenditure adjustments.

The opening balance for retained earnings based on the prior year financial statements amounting to N\$ 3 482 882 does not agree to the balance recorded in the financial statements amounting to N\$ 3 420 531 resulting in a difference of N\$ 62 351.

It is recommended that the Council should ensure that all adjustments to the appropriation account can be traced to supporting documents and reconciled accordingly and closing balances are brought forward correctly.

2.6. REPORTING FRAMEWORK

The Council notified the auditors that they have adopted IPSAS as their reporting framework but there was no letter confirming the migration to IPSAS from the old framework or any Council approval with regards to the change in the accounting framework. Also noted is that the financial statements were not prepared according to the template provided by IPSAS 1.

It is recommended that the Council include a letter confirming the migration to IPSAS from the old framework, the financial statements should be prepared according to the template provided by IPSAS 1.

2.7. INVESTMENTS

The investment in Central North Regional Electricity Distributor (CENORED) amounting to N\$ 6 163 737 for the year was disclosed as zero in the financial statements. Further investigations revealed that the investment was written off through the appropriation account although it has not been impaired based on the recomputation of the investment from the financial statements for the Central North Regional Electricity Distributor (CENORED) for the 2021 financial year.

It is recommended that the investment in the Central North Regional Electricity Distributor (CENORED) is disclosed at its fair value.

2.8. BANK AND CASH

The bank statements balance at year end amounting to N\$ 69 937 does not agree to the financial statements balance of (N\$ 365 151) resulting in a difference of N\$ 435 088. Furthermore, the bank reconciliation was also not provided.

It is recommended that the Council should ensure that the bank statement balance and financial statements balance agree and the bank reconciliations are provided for audit purposes.

2.9. STATEMENT OF CASHFLOW

The closing balance on the statement of cash flow for 2020 amounting to N\$ 6 107 761 does not agree to the cash and cash equivalents at the beginning of the year for 2021 amounting to (N\$ 234 056) resulting in a difference of N\$ 6 341 817. Cash flow generated or utilised by operating activities in the statement of cash flow for 2020 does not agree to note 16. The movement on the cash flow from net increase in cash and cash equivalents amounting to N\$ 5 279 642 plus the opening bank and cash balance of (N\$ 234 056) cash and cash equivalents balance which equals N\$ 5 045 586, does not agree to the cash and cash equivalents at the end of the year of (N\$ 245 269) in the statement of cash flow. Also noted is that the movement in financing activities and movement in investments were not included in the statement of cash flow.

The movement in trade receivables balances on the cash flow statement do not agree to the recomputed movements on the statement of financial position.

It is recommended that the Council ensures that the statement of cash flow is prepared correctly.

2.10. BUILD TOGETHER LOANS RECEIVABLE

Build together loans receivable balance per financial statements amounting to N\$ 2 654 043 does not agree to the loans receivable in the trial balance amounting to N\$ 3 025 507 resulting in a difference of N\$ 371 464.

It is recommended that the Council ensures that loans receivable in the financial statements agree to the loans receivable in the trial balance.

2.11. CONSUMER DEPOSITS

Consumer deposits recomputation based on one-month water sales amounting to N\$ 331 667 differs to the debtor's trial balance listing amounting to N\$ 99 986 resulting in a difference of N\$ 231 681 which indicates that consumer deposits are not adequate to cover on month water purchases.

It is recommended that the Council ensure that consumer deposits in statement of financial position agree to the debtor's trial balance listing.

2.12. TRADE PAYABLES

From subsequent tests the auditors noted that there are invoices for three suppliers amounting to N\$ 319 464 that were not included on the list of trade payables at year end.

It is recommended that the Council ensure that all trade payables are raised as they occur.

2.13. PROPERTY, PLANT AND EQUIPMENT

Fixed asset register provided by Council indicated that some assets that were fully depreciated in the 2020 financial year were also depreciated in the 2021 financial year resulting in a misstatement of N\$ 938 166. The fixed asset register provided by the Council is not coded and numbered and physical assets also are not coded or numbered for physical verification. Furthermore, the property, plant and equipment note was not disclosed according to IPSAS 17, which states that the property, plant and equipment note should disclose the cost, accumulated depreciation and carrying amount of the property, plant and equipment.

Supporting documents for fixed assets additions amounting to N\$ 429 869 were not available for audit verification. Therefore, auditors could not satisfy themselves on the accuracy, completeness, and valuation of the above-mentioned expenditure balance. The insurance contract for the year under review was also not available for audit verification.

It is recommended that the Council ensures that fixed assets are depreciated in line with fixed asset policies, the fixed asset register and physical assets be coded, supporting documents be provided for audit purposes and the property, plant and equipment note disclosed according to IPSAS 17.

2.14. EXPENDITURE

Supporting documents for expenses amounting to N\$ 341 375 were not available for audit verification.

It is recommended that the Council ensures that supporting documents are provided for audit purposes.

2.15. ACCUMULATED DEFICIT

Accumulated deficit in the statement of financial position (N\$ 3 482 882) does not agree to accumulated deficit in the statement of change in net assets/equity (N\$ 3 420 531) resulting in a difference of N\$ 62 351 for the 2020 financial year.

It is recommended that the Council ensures that accumulated deficit in the statement of financial position agrees to accumulated deficit in the statement of changes in net assets/equity.

2.16. STATEMENT OF FINANCIAL POSITION

The statement of financial position was not presented as per IPSAS 1, which prescribes how the statement of financial position should be presented.

It is recommended that the Council ensures that the statement of financial position is presented as per IPSAS 1.

3. OTHER INFORMATION

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and 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 of overseeing the entity's financial reporting process.

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

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

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

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

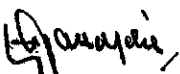
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with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

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

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2021 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992), except that the financial year ended 30 June 2021 was only submitted on 11 February 2022, instead of three months (3 months) after the year end as required by the Act.

WINDHOEK, February 2023


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

THE TOWN COUNCIL OF OKAKARARA
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2021 N\$	2020 N\$
ASSETS			
Current assets		5 417 927	14 980 049
Cash and cash equivalents		119 882	-
Trade and other receivables	3	5 298 046	14 980 049
Non-current assets		3 701 744	31 312 008
Property, plant, and equipment		3 701 744	25 148 271
Investments		-	6 163 737
TOTAL ASSETS		9 119 671	46 292 057
NET ASSETS AND LIABILITIES			
Non-current liabilities		1 117 478	1 906 142
Employee benefits	4	1 030 063	1 768 679
Long-term loans		87 415	137 463
Current liabilities		11 323 069	12 531 908
Trade and other payables	5	10 703 179	12 206 007
Bank overdraft		365 151	234 056
Consumer deposits	5	99 986	91 845
Current portion of employee benefits	4	154 753	-
Funds and reserves		(3 320 876)	31 854 007
Funds	6	8 340 252	8 340 252
Other reserves	7	26 996 637	26 996 637
Accumulated deficit		(38 657 765)	(3 482 882)
TOTAL FUNDS AND LIABILITIES		9 119 671	46 292 057

**THE TOWN COUNCIL OF OKAKARARA
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE**

	Note	2021 N\$	2020 N\$
Revenue		23 968 450	19 457 209
Revenue from exchange transactions		19 926 146	15 063 518
Rates and taxes		2 226 691	2 555 986
Other income exchange transactions	8	17 699 455	12 507 532
Revenue from non-exchange transactions		4 042 304	4 393 691
Government subsidy	9	4 042 304	4 393 691
Expenses		25 765 524	18 402 167
Employee related costs	10	6 902 115	5 176 704
General expenses	11	10 516 977	12 611 917
Repairs and maintenance	12	293 875	613 546
Depreciation and amortization expenses		1 678 843	-
Leave days and bonus provisions		154 753	-
Bad debts expenses		6 218 961	-
Surplus/(deficit) for the year		(1 797 074)	1 055 042

ANNEXURE C

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

	Funds	Reserves	Accumulated surplus/(deficit)
	N\$	N\$	N\$
Balance as at 01 July 2019	8 246 429	26 094 824	(4 475 573)
Reinstated balance	-	-	(4 475 573)
Increase in funds	93 823	-	-
Increase in reserves	-	901 813	-
Surplus for the period	-	-	1 055 042
Balance as at 30 June 2020	8 340 252	26 996 637	(3 420 531)
Changes in accounting policies, errors, and corrections	-	-	(33 440 160)
Reinstated balance	-	-	(36 860 691)
Deficit for the year	-	-	(1 797 074)
Balance as at 30 June 2021	8 340 252	26 996 637	(38 657 765)

ANNEXURE D

**THE TOWN COUNCIL OF OKAKARARA
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE**

	Note	2021 N\$	2020 N\$
Cash flow from operating activities			
Receipts			
		33 658 594	-
Receipts from exchange and other non-exchange transactions	13	29 616 290	-
Government subsidy	13	4 042 304	-
Payments			
		26 173 372	-
Payment to suppliers and on behalf of employees	14	26 173 372	-
Cash flow generated / (utilised) by operating activities	16	7 485 222	876 422
Net cash flow from operating activities		67 317 188	876 422
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(2 205 580)	(1 667 245)
Net cash flow from investing activities		(2 205 580)	(1 667 245)
Cash flow from financing activities			
Increase / (decrease) in reserves and funds		-	(995 637)
Movement in finance lease		-	248 325
Housing loans movement		-	331 236
Other movements		-	550 491
Net cash flow from financing activities		-	134 414
Net (decrease) in cash and cash equivalents		5 279 642	(656 409)
Cash and cash equivalents at the beginning of the year		(234 056)	6 764 170
Cash and cash equivalents at the end of the year		(245 269)	6 107 761

THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. INTRODUCTION

The Accounting Policies for Okakarara Town Council have been prepared in accordance with International Public Sector Accounting Standards (IPSASs), from July 2020. Having previously prepare its financial statements according to the industry standard. Where there is no specific guidance in the Standard, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision-making needs of users; and reliable, in that the financial statements.
- Represent fairly the financial position, financial performance and cash flows of the entity;
- Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent
- Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets, equity, and liabilities held and incurred during the financial year under review. The accounting policies of the Council are updated regularly to reflect any changes in IPSASs, Local Authority Act, State Finance Act and Treasury Instruction, other change in statute impacting on the authority's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. The document has been divided into three distinct categories which are Accounting Principles, Capital Accounting and Revenue Accounting.

2. ACCOUNTING PRINCIPLES

2.1 Going Concern

The Council prepares its accounts on the basis that it remains a going concern; that an organization will continue to operate in a feasible future.

2.2 Accrual Concept

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made. Where income and expenditure has been recognized but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Statement of Financial Position. Equally, where cash has been received or paid which is not yet recognized as income or expenditure, a payable (income in advance) or receivable (payment in advance) is recorded in the Statement of Financial Position.

**THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)**

2.3 Value Added Tax

Value added tax collected is payable to the Namibia Revenue Authority. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or owed. Amount owed/ receivable at the date of audit may not balance with Receiver of Revenue figures because of different accounting concept that the government is using.

2.4 Changes in Accounting Policy, Error And Corrections

Where there is a known future change in accounting policy in terms of **IPSAS 3**, the Council will disclose the following in the notes to the accounts, in the notes, the council should provide:

- The reason why applying the new accounting policy provide reliable and more relevant information
- If retrospective application is impractical for the particular period, prospective application for new accounting policies for transaction, event, or other circumstances is applied.

Errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights and misinterpretations of facts. Where those errors are thought to be significant, an adjustment will be entered into financial statements comparative balances as restated figures.

Errors which are found and not significant, will not result in prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council or could not have reasonably been determined when Financial Statements were authorized for issue, will be corrected in the current year and accumulated profit/loss will be reinstated.

2.5 Unidentified Income

All unidentified income received is initially recorded to an income suspense account. Monthly updates of the content of the suspense accounts are circulated to the Finance Manager, to ensure the balances are cleared as soon as possible. Any items of revenue not cleared at year end will be treated as sundry revenue.

2.6 Events after reporting period

Where there is a material post balance sheet event before the date the accounts are authorized for issue, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)

2.7 Contingent assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognized in the Statement of Financial Position but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognized in the Statement of Financial Position but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

2.8 Cash and Cash Equivalent

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

Overdraft are reported under Current liabilities in the Statement of Financial Position. On the Statement of Cash flow, only the net will be disclosed under cash and cash equivalent in the Statement of cash Flow Statement.

Accounting for consumer deposit and employee benefit provision.

Consumer Deposit is accounted under current liabilities, because Account Receivable to which the account is related to is accounted under Current Asset. Provision for Employee Benefit is accounted under Non-Current Liabilities, this is because, Okakarara Town Council will continue to exist in a near feasible future (going concern), hence, which employees. Where are known employees, who will retire or resign in the next 12 months, this will be accounted under current liabilities.

CAPITAL ACCOUNTING

2.9 Recognition of capital expenditure

Capital expenditure is recognized in terms of IPSAS 16: Investment Properties, IPSAS 17: Property, Plant and Equipment and IPSAS 36 (revised): Investment in Associate and Joint Venture. Property, Plants and Equipment (PPE) are initially recognized at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)

Carrying amount for an item for PPE is determined by cost less accumulated depreciation. The carrying amount of an item of Property, Plant and Equipment is derecognized on a disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of Property Plant and Equipment is included in surplus or deficit when the item is derecognized. Depreciation is calculated using straight line methods to write the cost of each asset over the useful life, the council has amended the policy as from 1 July 2020 to depreciate assets on a full year basis, previously pro rata depreciation was applicable, and this change has been applied prospectively. Depreciation for Non-current asset is charged as follows:

2.10 Non-Current asset classification and useful life

• Land and Buildings	20 Years
• Plant and Machinery-Heavy Equipment	10 Years
• Computer and Office Equipment	5 Years
• Motor Vehicles	5 Years
• Furniture, Fixtures and Fittings	10 Years
• Infrastructure	20 Years
• Intangible assets (impairment assessments)	

Investment properties

These are items of land and/or building held solely for the purpose of rental income generation or capital appreciation. Asset owned by the Council which are occupied by employees or other social groups are not to be classified as investment properties.

- Assets held for sale.

The council will classify the asset as held for sale where the following condition are met.

- The asset is in a condition required for sale
- The assets sale is highly probable
- The completion is expected to be completed with 12 months.

Non-current asset held for sale are not to be depreciated.

- Investments.

Investment include share owned by an organization which do not meet the requirement to be classified as investment in associate in term of IPSAS 36. Investment may also include cash held at the bank which will not be used in the next 12 months.

**THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)**

2.11 Investment Properties-IPSAS 16

Investment properties are measured using fair value model, using the gazetted valuation as a model to account for all investment properties. Fair value is time specific as of given date, however the Council opt not to revalue every year but rather to use and amend according to the general valuation and interim valuation

2.12 Non-Current asset valuation methodology

Non-current asset is initially recorded at cost less accumulated depreciation and impairment. The Council does not carry out market valuation because the cost outweighs the benefit, unless required, example when the asset is to be sold. The council may also make use of the valuation roll to determine the value for the assets. The council recognize intangible Assets at cost, revaluation of intangible asset will only be done annually where there a determinable market value for the asset.

Assets that are fully depreciated and still in use are recorded in the Statement of financial position at a rate of N\$1. It is up to management discretion to decide whether to do an asset valuation, taking into consideration the cost implications.

2.13 Impairment of non-current asset

At the end of reporting period, the council may assess whether there is a need for impairment assessment. Considering the benefits and the cost to be incurred.

2.14 Disposal of non-current asset

When the asset is disposed of or decommissioned, the net value (Asset book value less receipt from disposal) for the asset in the Statement of financial position is written off to the Statement of financial performance as part of gain or loss on disposal.

2.15 REVENUE ACCOUNTING

2.15.1 Recognition of revenue and expenditures

Revenue Recognition

Revenue is derived from various sources. Revenue comprises the fair value of the consideration received or receivables for the sales of goods and services in the ordinary course of the Council activities. Revenue is shown net of value added tax, returns and other discounts. Revenue from exchange transactions refers to transaction that occurred to Okakarara Town Council directly in return for service rendered/ goods sold, the value of which approximates the consideration received or receivables. Revenue from non-exchange transaction refers to transactions where the Council received revenue from another entity without directly giving approximately equal value in exchange.

**THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)**

2.16 Government grants and other donations

Conditional grants, donations and funding's are recognised as revenue to the extent that the Town Council has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that these criteria, conditions or obligations have not been met. Where such requirements are not enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered as restriction and is recognised as revenue.

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 the statement of Financial Performance in the period in which they become receivable.

2.17 Borrowing costs

Okakarara Town Council capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that assets in accordance with the requirements of IPSAS 5. Okakarara Town Council ceases to capitalise borrowing costs when substantially the activities necessary to prepare the qualifying assets for its intended use has been completed.

2.18 Related parties' disclosure

Individuals 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 Member, Council Members, Chief Executive Officer and all other Managers reporting directly to the chief Executive Officer or as designated by the Chief Executive Officer.

2.19 Employee cost

The council account for total benefit earned by employees during the financial year as salaries and wages to the notes. Council members allowance is also recognized separately in the face of Statement of Financial Performance.

2.20 Research and other related cost

Payment for environmental impact assessment, drafting of infrastructure plans and other expenditure relating to capital project to determine the feasibility are treated in the Statement of Financial Performance. Notably, cost of compensation to landowners is treated as an expense.

THE TOWN COUNCIL OF OKAKARARA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)

2.21 Provision for doubtful debts

Okakarara Town Council maintain a provision for any non-payment, at each balance sheet date, where there is need; the council make an assessment as to whether impairment loss need to be recognized.

- Firstly, whether there is evidence of impairment for individual debtors that are significant.
- Secondary, there is evidence of impairment for the group of similar debtors.

The factor to be used will be disclosed in the notes the annual financial statement. Provision for impairment is only applicable to debtors at, 120 days and 120 days plus.

2.22 Inventory for consumables

Inventory is recognized at the lower of cost, or net realizable value. Inventory is recorded in terms of average cost, with exception to expiry goods which are recognized on the first in, first out.

2.23 Budget Information

The annual budget figures have been prepared in accordance with the IPSAS 24. This has to be consistent with the accounting Policies adopted by the council for the preparation of these Annual Financial Statement. The amounts are scheduled as a separate additional financial statement called the statement of Comparison of Budget and Actual amounts.

Applications

Accounting policies is applicable as from 1 July 2019, and all future financial statements are to be prepared on the basis of this policy.

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

	2021	2020
	N\$	N\$
3. Trade and Other Receivables	5 289 046	14 980 049
Housing fund	-	178 080
Build together housing	2 654 043	4 281 573
Debtors	40 567 860	30 845 963
Value added tax	448 828	-
LA surcharge levies accrued	73 872	-
Provision for bad debts	(38 446 557)	(20 325 567)
4. Employee Benefits	1 184 816	1 768 679
Leave provision	1 030 063	1 768 679
Bonus provision	154 753	-
5. Trade and Other Payables	10 803 165	12 297 853
Trade payables	10 703 179	9 750 633
Consumer deposits	99 986	91 845
Value added tax	-	2 455 375
6. Funds	8 340 252	8 340 252
Contribution to revenue	7 422 803	7 422 803
Fixed property fund	917 449	917 449
7. Other Reserves	26 996 637	26 996 637
General capital account	16 977 929	16 977 929
Fixed property fund	9 891 632	9 891 632
Loans redeemed	127 076	127 076

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

	2021	2020
	N\$	N\$
8. Other Income Exchange Transactions	17 699 455	12 507 532
Cleaning of blockage	211	421
Clearance certificate	3 314	1 015
Connection disconnection	35 338	2 983
Connection new services	35 763	12 783
Sale of refuse bins	413	21 265
Interest on arrears	3 731 082	2 395 191
Garden refuse removal	-	148 266
Rentals	-	104 186
Rent of plots/ PTO residential	(58 977)	3 004
Street vendors fees	767	1 685
Fitness certificate -formal	33 488	30 796
Fitness certificate – informal	753	-
Business certificate formal	29 344	26 976
Business certificate informal	262	-
Refund on expenses	314 391	118 876
Water sales residential	1 937 845	1 837 164
Water sales business	2 203 903	2 290 496
Sewerage fees residential	620 792	612 782
Sewerage fees business	215 670	206 525
Street subsidy	1 248 215	1 172 423
Prepaid water sales	31 514	50 933
Informal settlement water	281	1 778
Sundry income	23 446	81 062
Tender document fees	-	16 105
House rentals	209 428	220 669
Rental of property business	24 500	-
Burial fees	3 437	-
Refuse removal residential	728 414	733 579
Refuse removal business	117 390	-
Rental of heavy equipment	10 619	46 955
Interest on investment	-	293
Rental of community hall	914	440
Building plan fees	26 666	54 309
Industrial stalls property rent	(36 981)	24 000
Erven sales	5 794 368	1 811 805
LA levies Censored	412 885	478 767

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

	2021	2020
	N\$	N\$
9. Revenue from Non-Exchange Transactions	4 042 304	4 393 691
Government subsidy	4 042 304	3 443 691
Contribution from Government	-	950 000
10. Employee Related Costs	6 902 115	5 176 704
Standby allowance	102 669	-
Salaries and wages	3 329 115	2 681 643
Overtime	42 658	79 098
Vacation bonus	247 875	219 995
Medical and contribution	446 848	263 264
Pension fund	657 605	572 871
Social security	20 895	16 996
Housing allowance/subsidy	1 014 030	807 693
Vehicle allowance	255 575	236 875
Allowance council members	477 279	272 704
Cell phone allowances	61 598	14 591
Transport allowance	51 360	-
Unforeseen expenses	20 700	-
Transport allowance other	125 268	-
Health allowance	53 640	10 974
11. General Expenses	10 516 977	12 611 917
Membership fees	27 300	-
Postage and stamps	44 534	32 289
Protective clothing	40 770	17 396
Travel and subsistence	252 353	220 386
Fuel	159 478	159 158
Donations	4 000	5 000
Entertainment and functions	58 213	11 840
Gazettes	-	5 840
Insurance	57 723	53 112
Legal expenses	2 609	26 087
Departmental electricity	446 804	505 300
Publicity and printing	2 494	7 749
Rent office equipment	-	6 737
Stationary	68 110	71 702
Telephone	68 631	136 476
Toiletries	17 539	10 109
First aid	-	24 780
Training personnel	26 274	6 899
Bank charges	177 211	137 404

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

	2021	2020
	N\$	N\$
Contribution to regional council	-	127 799
Out contribution to regional council	111 335	-
Material and supplies	217 878	-
Purchase of water	4 957 129	5 321 876
Contractual expenses	144 380	1 355 207
Bond cancellation	-	810
Deeds office returns	2 826	-
Study loans	-	-
Advertising	11 300	45 753
Cell phone purchases	-	-
Mayor's entertainment	13 565	10 493
Security services	438 121	558 000
HIV/AIDS works and comms program	400	-
License fees	124 476	-
Financial statements	3 787	-
Vehicle registration and license	132	75 690
Town cleaning	800 000	1 040 000
Roads sweeping	-	37 400
Debushing	-	18 500
IT support services	29 636	1 830
Strategic plan	90 344	-
Trade fair expenses	22 000	111 798
Vehicles	131 157	171 175
Interest paid	7 859	979 286
Hp costs	-	16 218
Street gravel	1 112 854	-
Valuation	-	112 424
Town planning	37 108	-
New office block fund	8 901	-
Consultancy fees	283 985	77 565
Office equipment	1 001	-
Computers	1 687	11 888
Water meters	306 910	1 100
Construction of services	-	1 010 430
Printer	-	2 977
Air conditioner	-	1 391
Furniture	1 689	-
Open market stalls	500	-
Surveying	101 339	58 139
Fencing of office building	-	13 104
Motors	100 636	-
Internship fees	-	12 800

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

	2021	2020
	N\$	N\$
12. Repairs And Maintenance	293 875	613 546
Building	-	43 171
Office equipment	31 650	-
Repair council houses	7 992	-
Website maintenance	800	-
Fire equipment services	22 330	26 207
Pumps	56 044	84 407
Road maintenance	-	76 226
Pumps/substations	64 808	-
Water rehab Okatumba	106 251	-
Sewerage net	-	-
License fees computers	-	129 151
Council vehicles	4 000	-
Materials and supplies	-	254 384
	2021	2021
	N\$	N\$
	Debit	Credit
13. Trade and Other Receivables Control Account		
Balance	14 980 049	5 298 046
Consumer deposits	99 986	91 845
Revenue	23 968 450	-
Government subsidy	-	4 042 304
Receipts from exchange and other non-exchange transactions	-	29 616 290
	39 048 485	39 048 485
14. Trade and Other Payables Control Account		
Trade and other payables	10 703 179	12 206 007
Employee benefits	1 184 816	1 768 679
Expenses	-	25 765 524
Depreciation and amortization	1 678 843	-
Cash paid to suppliers and on behalf of employees	26 173 372	-
	39 740 210	39 740 210
15. Property, Plant and Equipment		
Property, plant and equipment	25 148 271	3 701 744
Depreciation and amortization expense	-	1 678 843
Correction of opening balance	-	21 973 264
Purchase of property, plant and equipment	2 205 580	-
	27 353 851	27 353 851

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

	<u>2021</u>	<u>2020</u>
	N\$	N\$
16. Reconciliation for Cash Generated from Operations		
Deficit for the year	(1 797 074)	-
Non-cash items		
Depreciation and amortization expense	1 678 843	-
Cash generated from operations before changes in working capital	(118 231)	-
Changes in working capital	7 603 453	-
Trade and other receivables	9 682 003	-
Trade and other payables	(1 502 828)	-
Employee benefits	(738 617)	-
Current portion of employee benefits	154 753	-
Consumer deposits	8 142	-
	<u>7 485 222</u>	<u>-</u>