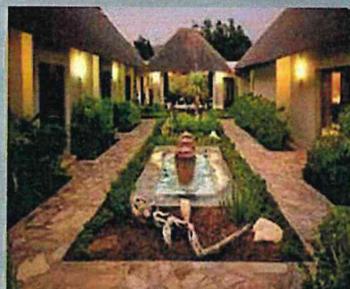
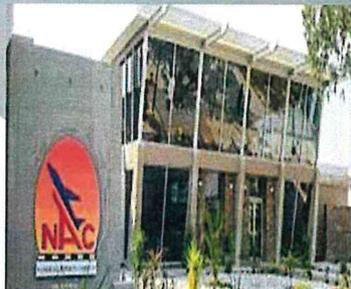




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Ondangwa for the financial year ended 30 June 2019, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, October 2020

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 ONDANGWA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Ondangwa for the financial year ended 30 June 2019. These financial statement comprise the statement of financial position, statement of surplus or deficit, statement of changes in net assets or equity, statement of cash flow for the year then ended, and a summary of significant accounting policies.

Because of the significance of matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Ondangwa for the financial year ended 30 June 2019 and its financial performance and their cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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 insufficient and inappropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

2.1 Financial statements supporting information

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

The Council did not provide the reconciliation of balances that were adjusted from the previous financial reporting framework to the newly adopted reporting framework. The Council is recommended to ensure that all documentation or information pertaining to the audit are provided during the audit, for audit purposes.

2.2 Comparison of statement of surplus or deficit and the Trial Balance (TB)

A difference amounting to N\$ 1 747 756 was observed between the statement of surplus or deficit (N\$ 175 168) and the trial balance (N\$ 1 751 168).

2.3 Cash flow statement

The following difference was observed in the Re-performance of the cash flow statement:

- A difference amounting to N\$ 19 375 489 between note 2 property, plant and equipment additions and the cash flow statement;
- A difference amounting to (N\$ 18 226 142) for cash received from customers; and
- A difference amounting to N\$ 17 382 208 for cash paid to supplier.

2.4 Statement of comparison of budget and actual 2019

A difference of N\$ 8 558 338 was observed between the surplus / (deficit) as per statement of comparison of budget and actual for 2019 and the (deficit) re-performed by the auditors.

A variance of negative (N\$ 4 225 148) was observed between the surplus/ (deficit) as per statement of the budget of (N\$ 10 273 164) and (deficit) re-performed (negative N\$ 14 528 312).

The Council is recommended to provide explanations with documentary evidence for the differences noted in the financial statements.

2.5 Non-recognition of revenue - Government subsidy

The Council indicated in note 15.2 an amount of N\$ 6 972 096 received from the Government of Namibia for capital projects, and that the money was utilised for the construction of water and sewer in Extension 24 and 25. The auditors observed that the amount of N\$ 6 972 096 was not disclosed nor recognised as a grant under the statement of surplus or deficit for the year ended 30 June 2019. The Council is recommended to ensure that all transactions are recorded and disclosed in the respective financial year period.

2.6 5% Assessment Rates contribution to Regional Council

The Council disclosed an amount of N\$ 953 223 for 5% Regional Council contribution in the financial statements. This transaction relates to the 2017/2018 financial year. It was further observed that the 5% rates and taxes contribution to the Regional Council for 2018/2019 amounting to N\$ 985 784 was not accrued as a payable. The Council is recommended that it should ensure that all transactions are recorded in the financial statements to avoid misstatements. The Council is further recommended that, supporting documents should be maintained and made available for audit purposes.

2.7 Provision for dump site

The auditors observed that the Council did not make provision for a dumping site for its rehabilitation and restoration after its useful life, in accordance to IPSAS 19, paragraph 27.

This IPSA states that: "It is only those obligations arising from past events existing independently of an entity's future actions (that is, the future conduct of its activities) that are recognized as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage imposed by legislation on a public sector entity. Both of these obligations would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of that public sector entity. Similarly, a public sector entity would recognize a

provision for the decommissioning costs of a defense installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused.

All accounting frameworks [IPSAS, IFRS etc] are based on Conceptual principle. In reference to qualitative characteristics of useful financial information. Chapter 2, the Framework describes two types of characteristics for financial information to be useful fundamental and enhancing. The information should be faithfully represented when it is complete, neutral and free from error. Enhancing qualitative characteristics Independent and knowledgeable observers are able to verify the information. When applying IPSAS 33 it does not mean you record DR and leave out the CR side and claim that you are in transition period. For every DR they should be a corresponding Credit.

IPSAS 17, Property, Plant, and Equipment, deals with items, including dismantling and site restoring costs, that are included in the cost of an asset. In contrast, because of legal requirements, pressure from constituents, or a desire to demonstrate community leadership, an entity may intend or need to carry out expenditure to operate in a particular way in the future. An example would be where a public sector entity decides to fit emission controls on certain of its vehicles, or a government laboratory decides to install extraction units to protect employees from the fumes of certain chemicals. Because the entities can avoid the future expenditure by their future actions – for example, by changing their method of operation – they have no present obligation for that future expenditure, and no provision is recognized.” It is recommended that the Council should make provision for a dump site.

2.8 Open lands

The Council did not disclose its open lands in the fixed asset register. IPSAS 23, paragraph 97 states that “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.

2.9 Additions to Assets

A difference of N\$ 823 988 was observed between the asset register N\$ 31 711 442 and the financial statement (N\$ 30 887 454). The Council is recommended to ensure that additions to assets are correctly accounted for and disclosed.

2.10 Depreciation

The auditors could not ascertain themselves with the accuracy of depreciation amounting to N\$ 19 900 827 as disclosed in the financial statement as the asset register does not reflect the

purchase dates of the assets. The Council is recommended that it should ensure that the asset register is complete and that the date of purchase is recorded and maintained.

2.11 Auditing fees exemption vs In-house capacity building

The Council did not disclose the exemption of audit fees and the related training cost for purpose of capacity building. The Council is recommended to ensure that all transactions are recorded in the financial statements to avoid misstatements.

2.12 KEY PERFORMANCE INDICATOR (KPI)

Nine (9) key performance indicators were sampled from the Councils strategic plan 2016/21. From the nine (9) KPI’s only one (1) was fully implemented as per the audit sample.

The review of the Councils strategic plan noted that the Council achieved 11% of its KPI’s.

- The Councils strategic objective to develop and update service master plan; the KPI that was sampled was 3 Master plan developed (Sewer & water; roads and electricity). For this KPI the Council only developed one master plan which was for sewer and water.
- The Councils strategic objective to strengthen town land monitoring and control measures; the KPI number of illegal land occupants reduced. During the financial years 2016/2017 to 2019/2020 the Council planned to reduce the illegal land occupants by 530. The Council however only managed to reduce it with 54.
- The Councils strategic objective of increase revenue growth; the KPI of N\$ 5 million reduction in debt per annum was not achieved.
- The Councils strategic objective to ensure management of financial resources; the KPI 0 % reduction in budget deviation in the last year of the strategic plan was not attained. See the table below:

Description	2018/2019	2018/2017	2017/2016
Reductions required as per Strategic plan	1% reduction	2% reduction	3% reduction
Total Revenue Budget/Total Revenue	(2%)	(1%)	13%
Total Expenditure Budget/Total Expenditure	(13%)	(16%)	17%

- The Councils strategic objective to develop recreational facilities; the KPI that was sampled was 100 % progress of sports stadium constructed. Upon completion of feasibility study on this project the Council realized that it does not have the financial and technical resources to develop this big project alone. Taking into consideration that the Councils grant from the government is decreasing annually. It is for this reason that the Council embarked on seeking partnerships with the public, private sector and other developmental partners to collectively realize this noble concept. The Council is currently still in the process of lobbying for this multi-million dollar project, hence the Council did not achieve this KPI.

- The Councils strategic objective of identifying and attracting institutions of higher learning; the KPI of four (4) higher learning institutions to established campuses in Ondangwa. The Council engaged with the University of Namibia (UNAM) and donated land to UNAM. This project has not been embarked on as yet. This is due to UNAM's intentions to enter into joint ventures with other companies to ensure sustainable technology transfer and effective capacity building, hence the Council could not achieve its KPI as intended.
- The Councils strategic objective to ensure stakeholder engagement; the KPI number of meetings held with the Ministry of Urban and Rural Development (MURD) on compensation of homestead affected by urban development. This KPI was not achieved by the Council this was mainly due to the reduction in the government grant which included compensation funds.
- The Councils strategic objective to ensure a high performance culture; the KPI number of performance agreements (PA) entered into. The Council implemented the signing of PA's in the 2017/18 financial year only and it was only signed by 32 staff members out of 74. This was due to individual job profile / description that needed to be adjusted in order to be aligned to the PA's and ultimately to the annual and strategic plan of the Council.
- The Councils strategic objective of provision of emergency services; Water tower to be constructed. This KPI was fully implemented by the Council.

It is recommended that the Council should ensure that the new strategic plan to be drafted has objectives that are clear, attainable and that it can be cascaded down to all business units.

3. KEY AUDIT MATTERS

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

4. OTHER INFORMATION

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

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

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation, and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. ACKNOWLEDGEMENTS

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

WINDHOEK, October 2020



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

TOWN COUNCIL OF ONDANGWA
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

ASSETS	Note	2019 N\$
Current assets		26 515 922
Inventories	5	899 907
Receivables from non-exchange transactions	6	2 368 512
VAT Receivable	7	9 349 774
Receivables from exchange transactions	6	11 689 660
Cash and cash equivalents	8	1 469 514
Other receivables		738 555
Non-current assets		267 310 441
Property, plant and equipment	2	205 565 147
Long term receivables	3	3 030 150
Investments	4	58 715 144
Total assets		293 826 363
LIABILITIES		
Current liabilities		12 969 413
Payables from exchange transactions	9	5 399 817
Consumer deposits	10	2 958 018
Sundry accounts payables		216 906
Short term provisions	11	4 394 672
Non-current liabilities		
Long-term borrowings	12	14 887 930
Total Liabilities		27 857 344
Net assets		265 969 020
NET ASSETS/EQUITY		265 969 020
Reserves		229 590 077
Accumulated surplus		36 378 943
Total net assets/equity		265 969 020

ANNEXURE B

**TOWN COUNCIL OF ONDANGWA STATEMENT OF SURPLUS OR DEFICIT FOR
THE YEAR ENDED 30 JUNE 2019**

	Note	<u>2019</u> N\$
REVENUE		
Revenue from non-exchange transactions		23 701 773
Assessment rates	13	19 792 242
Fees, Fines, Penalties and Licences		1 497 769
Transfers from other government entities	15	2 000 000
Pledges		411 762
Revenue from exchange transactions		82 343 162
Service charges	16	59 900 539
Erven sales	17	5 786 902
Rent received	18	3 929 367
Other income	19	3 986 541
Interest	20	8 739 812
Total Revenue		<u>106 044 935</u>
EXPENSES		
		95 395 320
Wages, salaries, and employee benefits	21	27 488 201
Remuneration Councillors	21.1	483 092
Leave provision	11	129 905
Depreciation expense	22	19 995 752
Transfers - Government and other departments	15	2 000 000
Repairs and maintenance	23	1 945 789
Bulk purchases	24	20 262 339
General expenses	25	20 850 213
Contribution - Regional Council		953 223
Finance costs	26	1 286 806
Total expenses		<u>10 649 615</u>
Surplus for the period		<u>10 649 615</u>

ANNEXURE C

TOWN COUNCIL OF ONDANGWA STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Capital development fund	Housing fund	Total Reserves	Accumulated surplus/deficit	Total net assets/equity
N\$	N\$	N\$	N\$	N\$	N\$
Net assets as at 01 July 2017	143 312 043	7 967 441	191 078 634	20 533 801	211 612 435
Movements during the year	16 477 719	12 910 580	(3 215 916)	-	(3 215 916)
Surplus / deficit for the year	-	-	-	19 409 642	19 409 642
Appropriations	-	-	-	(10 639 201)	(10 639 201)
Balance as at 01 July 2018	159 789 762	20 878 021	187 862 718	29 304 241	217 166 960
Contributions to capital	30 887 455	-	30 887 455	-	30 887 455
Movements during the year	3 530 258	337 549	3 867 807	-	3 867 807
Surplus or deficit for the year	-	-	-	10 649 615	10 649 615
Appropriations	-	-	-	(5 709 066)	(5 709 066)
Net assets as at 30 June 2019	190 677 217	24 408 279	222 617 980	34 244 790	256 862 770

ANNEXURE D

**TOWN COUNCIL OF ONDANGWA CASH FLOW STATEMENT FOR THE YEAR
ENDED 30 JUNE 2019**

	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES	2 748 727
Cash receipts from customers	107 107 089
Cash paid to suppliers	(104 481 402)
Interest received	123 040
CASH FLOW FROM INVESTING ACTIVITIES	(4 524 163)
Additions from property, plant and equipment	(11 511 965)
Increase in investments	6 921 649
Net movement in long term receivables	66 154
CASH FLOW FROM FINANCING ACTIVITIES	15 379 773
Increase in fund account	13 684 678
Increase in capital outlay	(2 172 713)
Decrease in long term liabilities	3 867 807
Net increase/(decrease) in cash and cash equivalents	13 604 338
Cash and cash equivalents at the beginning of the period	(12 134 823)
Cash and cash equivalents at the end of the period	1 469 514

The cash flow has been prepared using previous accounting policies which broadly differ from the requirements under IPSAS 2, Cash flows. The Town Council expects to comply with IPSAS 2 in the coming financial period.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF ACCOUNTING POLICIES**1.1 Basis of preparation and significant accounting policies**

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

In its transition to accrual basis IPSAS, Ondangwa Town Council took advantage of exemptions that affect fair disclosure for reporting its assets and liabilities in accordance with these assets' respective IPSASs. As a result, it is not able to make an explicit and reserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2019.

Ondangwa Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, 40 and 41 by 2021 or an earlier period where the relevant items of assets and liabilities are recognised and/or measured in the financial statements in accordance with the applicable or relevant IPSAS.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the Town Council, assets and liabilities shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to respective assets and liabilities in compliance with IPSAS 33, paragraph 137 (a) which requires that the Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with the requirements of the applicable IPSAS.

1.2 Presentation currency and rounding

The financial statements are presented in Namibian dollars which is the Town Council's presentation and functional currency, and all values, including Councillors' remuneration disclosures in note 22 are rounded off to the nearest dollar.

1.3 Changes in accounting policy

The accounting policies applied to all IPSASs that Ondangwa Town Council has adopted are not consistent with the accounting policies applied in reporting financial information in the prior period and beyond. IPSAS 3, allows a change in accounting policy where such a change:

- a) Is required by an IPSAS; and,
- b) Results in the financial statements providing faithfully representative and more relevant information about effects of transactions, other events, and conditions on the entity's financial position, financial performance, and cash flows.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.4 Transitional exemptions that do not affect fair presentation

In its transitional financial statements, the Town Council adopted the following IPSAS which do not affect fair presentation of its financial statements unless stated otherwise;

IPSAS 1, Presentation of financial statements

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

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

IPSAS 9, Revenue from exchange transactions

This standard establishes the conditions for the recognition of revenue arising from exchange transactions and requires such revenue to be measured at fair value of the consideration received or receivable.

IPSAS 23, Revenue from non-exchange transactions

Deals with matters relating to the measurement of revenue where Ondangwa Town Council has received economic benefits or service potential without an equal exchange of value in return. One such major source of non-exchange revenue is property taxes.

IPSAS 24, Presentation of budget information in financial statements

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

1.5 Transitional exemptions that affect fair presentation

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

IPSAS 12, Inventories

IPSAS 16, Investment property

IPSAS 17, Property, plant and, equipment

IPSAS 29, financial instruments: Recognition and measurement

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

IPSAS 31, Intangible assets

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

1.6 Significant judgements and sources of estimation uncertainty

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

The Town Council may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The Town Council shall account for such information in the same way as non-adjusting events in accordance with IPSAS 14, events after the reporting period. This, however, shall not apply where estimates were in error or the adjustment is due to differences in accounting policies.

Management has exercised the following significant judgements in applying accounting policies:

1.6.1 Provisions, contingent liabilities and contingent assets

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets.

1.6.2 Accounts receivables, held to maturity investments, loans and other receivables

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

As a prudent precaution on accounts receivables, management shall make an allowance for receivables where an allowance for receivables shall be shown as an expense in the statement of surplus or deficit. Accounts receivables shall be presented on the face of the statement net of any receivables allowance.

1.6.3 Allowance for slow moving, obsolete or damaged inventory items

Inventory items shall be written down to the lower of cost and net realisable value. The allowance has been included to note 6.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.6.4 Useful lives of items of property, plant, and equipment

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

1.7 Offsetting

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

1.8 Value added tax (VAT) on goods and services

Items in the financial statements are stated exclusive of value added tax, except for accounts receivables and accounts payables which are presented on a value added tax inclusive basis.

Where value added tax is not recoverable, it forms part of the stated asset or expense.

Commitments or contingencies are disclosed exclusive of value added tax.

1.9 Budget information

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

The approved budget is prepared on an accruals basis and covers the financial period beginning 01 July 2018 and ending 30 June 2019.

Comparative information shall not be required for the budget.

Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements. The budget was prepared on cash basis and the financial statements were prepared on the full accrual basis. The Town Council has presented a separate budget statement for the comparison of budget and actual figures in its financial statements.

1.10 Going concern

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

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.11 Revenue

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

1.12 Revenue from exchange transactions

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

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

Recognition**Rendering of services**

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

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

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

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

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

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.12 Revenue from exchange transactions (continued)**Sale of goods**

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

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

Measurement

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

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

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

Services provided on a prepayment basis are recognised at a point of sale. An adjustment to an unutilised portion is made at year end, based on the average consumption history.

1.13 Revenue from non-exchange transactions

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

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.13 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

1.14 Property plant and equipment (PPE)

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

The Town Council is in the process of recognising and/or measuring its items of property, plant, and equipment for inclusion in the financial statements during the transitional period. The process of recognising and measuring items of property, plant, and equipment necessitates

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.14 Property plant and equipment (continued)

a continuous development of accounting policies relating to those items of PPE subsequently brought to the statement of financial position.

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

Recognition

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

- It is probable that future economic benefits, or service potential associated with the item of PPE flow to the Town Council
- The cost of the item can be measured reliably

Initial measurement

An item of property, plant, and equipment is initially measured at cost.

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

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

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

When significant components of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site in which it is located is also included in the cost of PPE where the Town Council has an obligation

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.14 Property plant and equipment (continued)

to incur such an expenditure, and the obligation arises as a result of acquiring the asset or using it for the purposes other than the production of inventories.

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

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

Major inspection costs which are a condition of continuing use of an item of PPE and which meet the recognition criteria above are included as a replacement in the cost of item of PPE. Any remaining inspection costs from the previous inspection are derecognised.

PPPE is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated.

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Minor assets below NAD\$ 5000 are not depreciated. They are expensed in the year of acquisition.

Assets that are fully depreciated and are no longer used in the production of goods and/or services are held at a dollar value in the fixed asset register for the purposes of completeness and monitoring.

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

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

Assets which the Town Council holds for rental to others and subsequently routine sells as part of the ordinary course of activities are transferred to inventories when the rentals end and they are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sale of these assets are recognised as revenue. All cash flows from the disposal of these assets are included in the cash flow statement under operating activities.

Useful lives of property, plant, and equipment is assessed as follows:

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.14 Property plant and equipment (continued)

TYPE OF ASSET	DEPRECIATION METHOD	USEFUL LIFE
Land and Buildings	Straight line	20
Plant and Equipment	Straight line	10
Office Furniture and Equipment	Straight line	10
Computer Equipment	Straight line	5
Sedan Vehicles	Straight line	5
LDVs and Combis	Straight line	5
Heavy Vehicles	Straight line	10
Tractors and Trailers	Straight line	10
Infrastructure	Straight line	15

Each part of any item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of surplus or deficit unless if it is included in the cost of another asset.

1.15 Site restoration and dismantling costs

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

Measurement using the cost model:

- a) Subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of surplus or deficit;
- c) If the adjustment results in an addition to the cost of the asset, the Town Council considers whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.16 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their cost is the fair value at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion, and the estimated costs necessary to make the sell, exchange or distribution.

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as expenses in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or services are rendered. The amount of any write-down of inventories to net realisable value and all losses on inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value are recognised as a reduction in the amount, of inventories recognised as an expense in the period in which the reversal occurs.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

Where some or all of the expenditure required to settle the provision is reimbursed by another part, the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.17 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an out flow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for the expenditures for which the provision was initially recognised

Provisions are not recognised for future operating deficits

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending on a vote or a main division within a vote; and

Expenditure not in accordance with the purpose of a vote, in the case of a main division not in accordance with the purpose of a main division

1.19 Fruitless and wasteful expenditure

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

All fruitless and unauthorised expenditure are recognised in the statement of surplus or deficit in the year in which they are incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered it is subsequently recognised as revenue in the statement of surplus or deficit.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations 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. To the extent that the criteria, conditions, or obligations have not been met a liability is recognised.

1.21 Transfers

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

1.22 Debt forgiveness

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

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

1.23 Bequests

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

1.24 Gifts and donations

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

Measurement

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

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

1.25 Transfers

Transfers are measured at their fair value at the date of acquisition.

1.26 Fines

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

1.27 Investments

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

1.28 Cash and cash equivalents

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

ANNEXURE E
TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

	2019		
	Deemed Cost	Accumulated depreciation	Carrying Value
	N\$	N\$	N\$
2. Property, plant, and equipment			
Land and Buildings	23 920 445	8 328 221	15 592 224
Plant and Equipment	3 239 822	1 478 893	1 760 929
Office Furniture and Equipment	2 627 324	1 296 265	1 331 058
Computer Equipment	9 574 940	4 931 761	4 643 179
Sedan Vehicles	2 913 469	1 125 211	1 788 258
LDVs and Combis	533 843	106 769	427 074
Tractors and Trailers	4 810 326	2 444 225	2 366 101
Infrastructure	268 495 078	90 838 753	177 656 325
	316 115 246	110 550 098	205 565 147

ANNEXURE E

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

2. Property, plant, and equipment (continued)

Reconciliation of property plant and equipment 2019

	Opening balance	Additions	Disposal	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land and Buildings	17 240 154	-	-	1 647 931	15 592 224
Plant and Equipment	2 408 893	-	-	647 964	1 760 929
Office Furniture and Equipment	1 553 719	-	-	222 661	1 331 058
Computer Equipment	5 409 268	-	-	766 090	4 643 179
Sedan Vehicles	2 304 106	-	-	515 848	1 788 258
LDVs and Combis	533 843	-	-	106 768	427 073
Tractors and Trailers	3 173 110	-	-	807 010	2 366 101
Infrastructure	161 955 425	30 887 455	-	15 186 555	177 656 325
	194 578 518	30 887 455	-	19 900 827	205 565 147

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

2. Property, plant, and equipment (continued)

Ondangwa Town Council adopted accrual basis IPSAS on 01 July 2018 and elected transitional exemptions in IPSAS 33 that allows it to use a deemed cost and a period of up to 3 years in which to measure property, plant, and equipment. The Town Council took advantage of these exemptions in determining a deemed cost for its items of property, plant, and equipment presented in these financial statements.

In accordance with the Town Council's previous accounting policies, assets purchased using loans were not depreciated until the loans were fully redeemed. This has resulted in some assets not being depreciated for periods extending significantly over more than 12 months. The Town Council is in the process of measuring all its property, plant, and equipment to ensure all items are brought on the statement of financial position and are depreciated accordingly.

3. Long term receivables

These are receivables primarily from the Build Together program in which the Town Council in conjunction with the government of Namibia jointly funded home ownership for residents through the Town Council providing erven and the government advancing funds for construction of housing units. As at 30 June 2019, the Build Together program had the reported balance of N\$ 5 399 817 comprising the principal advanced to residents in the program and the interest charged on the outstanding amount.

4. Investments

In accordance with the previous accounting policy on investments, the Town Council held its investments as long term investments except for cash held in the operational bank account which met the definition of cash and cash equivalents. The adoption of IPSAS has resulted in a change in accounting policy where investments that have the potential of being converted into liquid cash within three months are classified as cash and cash equivalents. All investments with banks amounting to N\$ 58 715 144 presented under non-current assets have the potential for being cash and cash equivalents. Full reclassification is anticipated in the coming financial year to comply with IPSAS.

The average interest rate on investments as at 30 June 2019 was 6% and interest earned amounted to N\$ 2 823 138. As per the previous accounting policy, the interest was accounted for under capital development fund.

5. Inventories.

The Town Council has recognised inventories held in its warehouse as at 30 June 2019 at cost.

Inventory pledged as security

There were no inventories pledge as security

Obsolete and slow-moving inventories

There were no inventory items identified as obsolete.

There were no damaged inventory items as at year end

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

5. Inventories (continued)

There were no slow-moving inventory items. Inventory purchases are as per specific project requirements.

6. Accounts receivables (exchange and non-exchange)

	As at 30 June 2019	Provision for credit losses	Year-end balance
	N\$	N\$	N\$
Non-exchange transactions	9 214 629	6 846 117	2 368 512
Exchange transactions	45 478 295	33 788 634	11 689 660
	54 692 923	40 634 751	14 058 172

Accounts receivables from non-exchange transactions

These receivables amounting to N\$ 9 214 629 have been determined through the extraction of data on erven that was sold to customers and no improvements to erven held and owned by customers have yet been made. Only rates and taxes are collected from these customers. Property rates from customers who have developed structures on their erven where such structures warrant the provision of water, sewerage, and/or refuse products/services could not be determined due to the cost which outweighs the benefit. Management is working on the acquisition of a new integrated accounting information system which allows for the splitting of receivables accordingly.

Accounts receivables from exchange transactions

These are primarily composed of water, sewerage, refuse removal, and erven sales.

Provision for credit losses

Under IPSAS 29 financial instruments: recognition and measurement, Ondangwa Town Council opts to base its measurement of expected credit losses relating to accounts receivables on all possible situations and developments that may lead to default of the debtor during the expected total lifetime of the receivable. This is primarily derived from an allowance for receivables matrix based on management judgement. Such judgement was based on how the allowance for receivables would have been measured had the previous accounting policy been applied. Given that the allowance for receivables is N\$ 40 634 751 under the previous accounting basis, the same allowance has been made but using a different model which allows for the immediate recognition of credit losses.

Management premises its judgement on the fact that collectability of receivables has not practically changed. Additionally, the measurement of credit losses is based on information accessible without undue costs and effort on current developments and expectations with regard to the market and significant trading relationships. The provision covers 100% of the

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

6. Accounts receivables (exchange and non-exchange) (continued)

Amounts owed by debtors that are in bankruptcy or have applied for a suspension of payments as well as receivables older than one 120 days.

Assessment of the expected credit losses as at 01 July 2018 based on the method described above led to the following provision being made:

	WEIGHTED AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	CARRYING AMOUNT
		N\$	N\$	N\$
Current (not past due)	0.80%	5 813 177	46 505	5 766 671
1 - 30 days past due	1.20%	4 024 875	48 299	3 976 577
31 - 60 days past due	7.80%	2 376 354	185 356	2 190 998
61 - 90 days past due	10.00%	1 850 628	185 063	1 665 566
91 - 180 days past due	20.60%	1 775 795	365 814	1 409 981
181 - 365 days past due	59.60%	38 858 956	38 858 956	-
Bankruptcies	100%	940 600	940 600	-
Provision for credit losses			40 630 592	

7. Value Added Tax (VAT) receivable

The Town Council expects to recover VAT amounting to N\$ 9 349 774.

8. Cash and cash equivalents

Cash and cash equivalents amounting to N\$ 1 469 514 at 30 June 2019 as reported does not include deposits of N\$ 58 715 145 with an original maturity of less than 3 months at the statements of financial position date (30 June 2019). Note the intended reclassification set out in note 4 above.

9. Payables from exchange transactions

Payables amounting to N\$ 5 399 817 are expected to be settled within 12 months from to end of the financial period.

10. Consumer deposits

These are held as security in the event of payment default by an account holder. As at 30 June 2019, the deposits held by the Town Council amounted to N\$ 2 958 018. The Town Council judges the deposits are adequate though a review has been contemplated for the next financial year to ensure these deposits are in line with the level of risk as assessed by the Town Council.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

11. Provisions

The Town Council has determined that leave pay, and landfill decommissioning obligations exist at year end using available evidence as set out above in 1.17 Provisions and contingencies.

12. Short term provisions (continued)

The timing of the outflow of resources for leave provision amounting to N\$ 4 394 672 as per statement of financial position is uncertain although there are annual movements associated with leave days taken by employees of the Town Council.

The decommissioning provision for the landfill site shall be made within the transitional period to comply with IPSAS 19 requirements.

13. Long term borrowings

Long term borrowings relate to loans from the government of Namibia amounting to N\$ 20 000 000 arranged on 01 July 2014. The obligation as reported stands at N\$ 14 887 930. There were no defaults in servicing the loan obligation.

There were not any renegotiations of the terms attached to borrowings

	<u>2019</u>
	N\$
14. Assessment rates	19 792 242
Assessment rates - Domestic	7 279 673
Assessment rates - Business	12 360 475
Assessment rate - Department	11 769
Fire brigade levy	140 325

15. Transfers from government and other departments

15.1 Transfers from other government entities

The transfer of N\$ 2 000 000 was from the Road Fund Authority for the repairs and maintenance of roads. The transferred resources were fully committed to road repairs and maintenance resulting in the transaction being accounted for both as revenue and expenditure.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

15.2 Transfer from government

The Town Council received N\$ 6 972 096 from the government of Namibia for capital projects. The transfer was utilised in the construction of water and sewer assets in extension 24 and 25.

	<u>2019</u>
	N\$
16. Service charges	59 900 539
Water	42 195 607
Self-supporting services	14 407 867
Electricity	3 297 065

17. Erven sales

Erven sales amounting to N\$ 5 786 902 were in extensions 16 and 21.

	<u>2019</u>
	N\$
18. Rent received	3 929 367
Site rental	2 319 158
Corporate services	2 500
Open market rental	384 587
Rental - Civic Buildings	51 839
Rental Housing	258 023
Skip rental	913 260
19. Other income	*3 986 541
Tender documents	210 908
Business inspection	547 157
Building planning fees	278 610
Permission to occupy	1 637 223
Sundry Income	1 523 552

*Calculation error

Tender documents amounting to N\$ 210 908 not added to other income

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

	<u>2019</u>
	N\$
20. Interest Receivable/Received	8 739 812
Interest receivable	8 616 772
Interest received	123 040

Interest receivable

Interest receivable amounting to N\$ 8 616 772 is on outstanding accounts receivable.

	<u>2019</u>
	N\$
21. Wages, salaries and employee benefits	*27 397 542
Salaries and wages	15 113 216
Service bonus	1 245 317
Vehicle and transport allowance	823 579
Water and electricity allowance	84 813
Housing rental allowance	1 441 452
Housing subsidies	2 942 792
Medical aid contribution	2 229 892
Pension fund contribution	3 162 223
Social security	65 391
Overtime	242 267
Standby	46 600

21.1 Remuneration: Councillors

	483 092
Mayor - Appointed 04/12/2015	77 500
Deputy Mayor - 04/12/2015	69 757
Management Committee chairperson	72 333
Management Committee members (2)	134 334
Council members (2)	129 168

*Note 21 does not agree to the statement of surplus or deficit

Workmen compensation amounting to N\$ 90 659 not included in salaries and wages.

22. Depreciation expense

Depreciation charged to the income statement for the year is N\$ 19 995 752. This depreciation was calculated on income assets as per the previous accounting policy on depreciation. Assets classified as income assets have not been depreciated in line with the accounting policy that prohibits the calculation of depreciation on assets acquired through loans until the loans are full redeemed.

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

22. Depreciation expense (continued)

The Town Council's depreciation policy under IPSAS provides for the calculation of depreciation based on an asset's useful life thereby allowing a depreciable amount to be calculated on all assets acquired and constructed by the Town Council. Due to the recent changes in financial reporting, the Town Council shall use the transitional period to recognise all its assets.

	<u>2019</u>
	N\$
23. Repairs and maintenance	1 945 789
Machines and equipment	312 713
Sewerage pumps	522 586
Vehicles	947 212
Streets and side walks	10 428
Traffic signs	47 915
Sundries	61 586
Reticulation	43 348

24. Bulk purchases

Bulk purchases amounting to N\$ 20 262 339 relate to water only.

25. General expenses

	20 850 213
Courier services	75 304
Entertainment	159 207
Training	334 654
Supplies	551 060
Dust bins	24 750
Advertising	162 403
Bank charges	579 517
Licence fees	91 996
Contractual labour	3 306 843
Insurance	671 314
Electricity departmental	4 830 023
Fuel and oil	762 357
Grants and donations	17 046
Incidental expenses	151 746
Diseases and HIV	62 165
SME internet café	1 206
Legal costs	283 085
Contributions - municipal association	84 000

TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

	2019
	N\$
25. General expenses (continued)	
Postage	328 904
Telephone	297 491
Printing and stationery	362 249
Protective clothing	180 378
Travel and accommodation	531 490
Valuation charges	2 500
Land survey	175 168
Security	1 644 627
Team building training	309 189
Corporate items	136 550
Consulting fees	107 672
Consulting fees planning	54 416
Sport and recreational	39 930
Wellness activities	6 605
Annual exhibition	889 935
Photocopier leasing	41 379
Cleaning	94 376
Volunteer fire fighters	19 294
Regional Council contribution	953 223
Insurance and investments	671 314
	1 365 636
Sundries	489 211

26. Finance cost

Finance costs amounting to N\$ 1 286 806 relate to non-current borrowings from the Namibian government.

ANNEXURE E
TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (CONTINUED)

Statement of comparison of budget and actual 2019

	Original budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	%
Statement of surplus or deficit							
Assessment rates	18 000 000	-	18 000 000	19 792 242	-	(1 792 242)	(10%)
Fees Fines Penalties and Licences	1 500 000	-	1 500 000	1 497 769	-	2 231	0%
Service charges	55 750 000	-	55 750 000	59 900 539	-	(4 150 539)	(7%)
Erven sales	10 608 152	-	10 608 152	5 786 902	-	4 821 250	45%
Rental income	3 780 000	-	3 780 000	3 929 367	-	(149 367)	(4%)
Pledges	400 000	-	400 000	411 762	-	(11 762)	(3%)
Transfers recognised - op grants	2 000 000	-	2 000 000	2 000 000	-	-	0%
Interest on outstanding receivables	8 000 000	-	8 000 000	8 616 773	-	(616 773)	(8%)
Other own revenue	3 502 000	-	3 502 000	3 986 541	-	(484 541)	(14%)
Total revenue	103 540 152	-	103 540 152	105 921 895	-	(2 381 743)	(2%)
Wages salaries & employee benefits	28 492 861	-	28 492 861	27 488 201	-	1 004 660	4%
Remuneration of Councillors	483 086	-	483 086	483 092	-	(6)	0%
Leave provision	350 000	-	350 000	600 101	-	(250 101)	(71%)
Depreciation & amortisation expense	-	-	-	19 995 752	-	(19 995 752)	(100%)
Transfers - grants	2 000 000	-	2 000 000	2 000 000	-	-	0%

ANNEXURE E
TOWN COUNCIL OF ONDANGWA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (CONTINUED)

Statement of comparison of budget and actual 2019 (continued)

	Original budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	%
Repairs and maintenance	3 816 000	-	3 816 000	1 945 789	-	1 870 211	49%
Bulk purchases	22 200 000	-	22 200 000	20 262 339	-	1 937 661	9%
General expenses	24 309 000	-	24 309 000	20 850 213	-	3 458 787	14%
Regional Council Contribution	1 000 000	-	1 000 000	953 223	-	46 777	5%
Finance costs	1 068 000	-	1 068 000	1 286 806	-	(218 806)	(20%)
Total expenditure	83 718 947	-	83 718 947	95 865 516	-	(12 146 569)	(14%)
Surplus/(deficit)	11 771 205	-	11 771 205	*1 498 041	-	*10 273 164	

CAPITAL BUDGET STATEMENT OF COMPARISON 2019

Transfers to capital	30 000 000	-	30 000 000	30 887 455	-	(887 455)	(3%)
Capital expenditure and funds sources							
Total capital expenditure	30 000 000	-	30 000 000	30 887 455	-	(887 455)	(3%)
Sources of capital funds							
Transfers recognised - capital	-	-	-	6 972 096	-	-	-
Public contributions and donations	-	-	-	-	-	-	-
Internally generated funds	-	-	-	23 915 358	-	-	-
Total sources of capital funds	-	-	-	30 887 455	-	-	

**See paragraph 2.4*