



REPUBLIC OF NAMIBIA



**ONDANGWA
TOWN COUNCIL**



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Ondangwa for the financial year ended 30 June 2020, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, March 2022

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 2020**

SECTION A: FINANCIAL AUDIT

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Ondangwa for the financial year ended 30 June 2020. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 2020 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 sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

2.1. Accounting policies

The accounting policies attached to the financial statements are not consistent with the policies adopted in the prior year and no change in accounting policies was presented in accordance with IPSAS 3: Accounting policies, Changes in accounting estimates and errors.

2.2. Transitional exemptions and provisions

The Council adopted transitional exemptions and provisions that affect fair presentation and those that do not affect fair presentation in its first transitional financial statements, however the Council did not disclose information about the transitional exemptions and provisions adopted as well as the progress made towards fair presentation and compliance with accrual basis IPSASs in the current financial statements.

2.3. Restatement and reclassification of prior year figures

Council restated its 2019 comparative figures in the current financial statement to correct prior year errors and further reclassified some line items in the financial statements without disclosing the nature of the prior year error and the amount of the correction for each financial statement line item affected.

This resulted in the following differences between prior year audited figures as per the 2019 audit report and prior year figures as presented in the current financial statements:

2.3.1 Statement of financial performance			
Component	Reflection of the prior year figures in the Current Year financial statements	Reflection of the prior year figures in the Prior Year Audit report	Difference
	N\$	N\$	N\$
Revenue from non-exchange transactions	28 624 013	23 701 773	4 922 240
Revenue from exchange transactions	84 393 017	82 343 161	2 049 856
Total expenses	113 732 894	95 395 320	18 337 574
Surplus (deficit) for the year	(715 864)	10 649 614	(11 65 478)
2.3.2 Statement of financial position			
Current assets	78 011 536	16 266 241	61 745 295
Non- current assets	205 565 149	267 310 441	(61 745 292)
Current liabilities	15 222 131	12 969 413	2 252 718
Non-current liabilities	12 635 216	14 887 930	(2 252 714)
Other NDR	238 591 931	229 590 077	9 001 854
Accumulated surplus	27 377 088	36 78 943	(9 001 855)
2.3.3 Cash flow statement			
Net cash flow from operating activities	23 306 727	2 748 727	20 558 000
Net cash flows from investing activities	(11 511 968)	(4 524 163)	(6 987 805)
Net cash flows from financing activities	(5 112 070)	15 379 773	(20 491 843)

2.3.4 Statement of Changes in Net Assets

	Reflection of the prior year figures in the Current Year financial statements		Reflection of the prior year figures in the Prior Year Audit report		Differences	
	Other	Accumulated Surplus	Other	Accumulated Surplus	Other	Accumulated Surplus
	N\$	N\$	N\$	N\$	N\$	N\$
Balance as at 01 July 2018	209 098 234	28 092 952	187 862 718	29 304 241	21 235 516	(1 211 289)
Total changes in net assets/equity	29 493 697	(715 864)	34 755 262	4 940 549	(5 261 565)	(5 656 413)
Restated Balance/Net assets as at 01 July 2019/30 June 2019	2 381 931	2 777 088	2 227 980	34 44 790	15 73 951	(6 867 702)

2.4. Statement of comparison of budget and actual

The Council did not present the following in the statement of comparison of budget and actual amounts:

- The original and final budget amounts;
- Explanation of material differences between the budget and actual amounts; and
- The budgetary basis and classification basis adopted in the approved budget, the period of the approved budget and the entities included in the approved budget.

2.5. Provision for dump site

As reported in the 2019 financial year, the Council did not make a provision for the rehabilitation and restoration of the dumping site after its useful life, in accordance with IPSAS 19, paragraph 27.

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 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.

IPSSAS 17, Property, Plant, and Equipment, deals with items, including dismantling and site restoring costs, those 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.

2.6. Open lands

As reported in the 2019 financial year, the Council once again did not disclose its open lands in its statement of financial position.

2.7. Property, Plant and Equipment

Physical verification of items of property, plant and equipment, except for motor vehicles, could not be performed due to the following:

- The asset register was not updated with unique assets identification numbers/other features that correspond to the physical assets;
- There are some assets that are recorded by the suppliers name in the description column instead of the description of the asset (that would enable distinction of assets) and there are some assets that were grouped together (total cost as per tax invoice); and
- The asset register is not updated with the location of the asset for asset tracing purposes.

2.8. Depreciation

The accuracy of depreciation amounting to N\$ 20 264 815.98 could not be ascertained, 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.

2.9. Completion certificates for capital projects

Certificates of completion for capital expenses amounting to N\$ 18 129 189.48 were not submitted for auditing.

2.10. Projects completed after year end

The audit observed that an amount of N\$ 6 422 727.30 spent on capital projects that were completed after year-end was included in the cost of property, plant and equipment instead of classifying it as work in progress.

IPSAS 17 paragraph 89 (b) requires the disclosure of the amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction.

2.11. Items of property, plant and equipment held for rental

The Council is having flats and sport and recreation club that it has rented out and is receiving rental proceeds from it. Additionally, the Council has rented out a portion of its office building to GIPF.

These assets were however not classified as investment properties in accordance with IPSAS 16: Investment Property that defines an investment property as a property (land or a building- or part of a building thereof) held to earn rentals or for capital appreciation or both.

Recommendation

It is recommended that the Council should ensure that it separately discloses assets held to earn rentals as investment property in the statement of financial position.

2.12. Provision for leave days

The Council did not use the remuneration as at year end 30 June 2020 to calculate the leave provision. According to the sample audited, a difference amounting to N\$ 592 310.85 was observed between the recalculated amount of N\$ 2 335 624.64 and recorded amount of N\$ 1 743 313.79.

Recommendation

It is recommended that the Council use the best estimate to measure the provision for leave. According to IPSAS 19 paragraph 44 (Measurements): the amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

2.13. 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.

Recommendation

It is recommended that the Council should ensure that all transactions are recorded in the financial statements to avoid misstatements.

2.14. VAT receivables

A material difference of N\$ 838 517 was observed between an amount of N\$ 10 288 185 as per the auditor's reconciliation on VAT returns and the amount of N\$ 9 449 668 as disclosed in the financial statements.

2.15. Disclosure of allowance/provision for doubtful debts

The Council did not disclose the provision/allowance for doubtful debts in the financial statements nor in the notes to the financial statements. The Council only disclosed the net trade debtors amount of N\$ 16 784 533 instead of disclosing the total debtors amount of N\$ 64 180 224.15 as per the age analysis and the current year's provision for doubtful debts of N\$ 47 395 690.62.

Furthermore, the movement in provision for doubtful debts of N\$ 6 790 939 was incorrectly described as debt impairment in the Statement of Financial Performance.

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 nothing to report in this regard.

3. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

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

The financial statements for the financial year ended 30 June 2020 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

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

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

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

Those charged with governance are responsible for overseeing the entity's financial reporting process.

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

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

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

7.1. AUDIT OF KEY PERFORMANCE INFORMATION

I conducted an audit on the performance information of the Ondangwa Town Council for the Strategic period 2017 to 2021, consecutively with the audit of financial statements for the year ended 30 June 2020.

7.2. DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE

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

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

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

7.3. AUDIT OBJECTIVE

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

7.4. AUDIT CRITERIA

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

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

7.5. SUMMARY OF METHODS APPLIED

I reviewed the Strategic Plan for the strategic periods 2016/17 to 2020/21 and comprised of a review of the Strategic Plan, documentation review and interviews with senior and top management.

7.6. KEY AUDIT FINDINGS

7.6.1. CASCADING OF STRATEGIC PLANS AND REPORTING

In terms of the execution of the Strategic Plan, it was noted with concern that the Plan has not been cascaded to Annual Plans and Departmental/Divisional Plans.

Furthermore, implementation of strategic plan through annual reports, divisional reports and performance reviews on individual basis has not been done so far.

7.6.2. PERFORMANCE AGREEMENTS

Performance Agreements were only signed for the 2017 year (the first year of the strategic period).

7.6.3. STRATEGIC OBJECTIVES EXECUTION

In order to determine whether there has been activity with regard to strategic objectives, auditors sampled 9 out of 24 strategic objectives and requested for documentary proof of actions taken.

The following 9 strategic objectives were selected:

1. Develop and update services master plan (road, sewerage and water);
2. Ensure service land delivery as guided by the Services Master Plan;
3. Ensure Stakeholder engagement;
4. Increase revenue growth;
5. Develop and implement Standard Operating Procedures on land sales, installation and suspension of services;
6. Ensure maintenance of infrastructure and assets;
7. Strengthen Town Land monitoring and control measures;
8. Develop and review policies and by-laws; and
9. Ensure sufficient, competent and skilled Council workforce.

These strategic objectives were measured using twenty-five (25) key performance indicators. The result of the audit performed was that none of the Strategic objectives were met.

The following three (3) key performance indicators were met with higher than 80% implementation rate (see Annexure C – Achievement of Key Performance Indicators):

- 5 meetings held with the Ministry of Urban and Rural Development (MURD) on compensation of homesteads affected by urban development;
- Revenue increased; and
- 15 illegal constructions (conventional buildings) reduced.

7.6.4. INSUFFICIENT SUPPORTING DOCUMENTATION

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

Furthermore, no documentary evidence supporting the execution of the following strategic objectives were received:

1. Ensure service land delivery as guided by the Services Master Plan;
2. Develop and implement Standard Operating Procedures on land sales, installation and suspension of services;
3. Ensure maintenance of infrastructure and assets; and
4. Develop and review policies and by-laws.

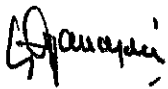
7.6.5. CONCLUSION ON SUBJECT MATTER

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

8. ACKNOWLEDGEMENTS

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

WINDHOEK, March 2022


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
COUNCILLOR'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

The annual financial statements set out on pages 16 to 44, which have been prepared on the going concern basis, were approved by the Council on 21 October 2020 and were signed on its behalf by:

Ismael Ileni Namgongo
Chief Executive Officer

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
COUNCIL'S REPORT

The Accounting Officer submitted the Council's report for the year ended 30 June 2020.

1. Review of Activities

Main business and operations

The entity is engaged in municipal services and operates principally in the Town of Ondangwa in Namibia.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the entity was N\$ 20 067 184 (2019: deficit N\$ 715 864).

2. Going concern

The annual financial statements have been prepared on the basis of 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 settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Councillors continue to procure funding for the ongoing operations for the entity.

3. Subsequent events

The Council is not aware of any matter or circumstance arising since the end of the financial year.

4. The Directors/Councillors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Amwele Mulanduleni Paavo	Namibian	Appointed
Namukwambi Saima Nangula	Namibian	Appointed
Kalumbu Andreas	Namibian	Appointed
Itope Anna-Helena	Namibian	Appointed
Matsi Abed Paulus	Namibian	Appointed
Nangolo Sem	Namibian	Appointed
Kassanga Albertina Ndeshipanda	Namibian	Appointed

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
COUNCIL'S REPORT

5. Councillors and executive managers emoluments

	Salary or fee	Bonuses and performance related payments	Retirement fund contribution	Medical contributions	Travelling allowance	Other	Total package 2020	Total package 2019
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Non -executive members								
Mayor	77 500	-	-	-	12 000	-	89 500	77 500
Deputy Mayor	69 751	-	-	-	7 200	-	76 951	69 751
Other Councillors	335 835	-	-	-	8 400	-	344 235	335 835
	483 086	-	-	-	27 600	-	510 686	483 086
Executive members								
Chief Executive Officer	548 009	45 667	118 918	105 500	14 400	321 905	1 154 399	512 158
Senior Management Team	3 488 337	311 043	809 957	209 100	788 834	1 331 734	6 939 005	3 488 337
	4 036 346	356 710	928 875	314 600	803 234	1 653 639	8 093 404	4 000 495
Total Councillors and Executive Managers emoluments	4 519 432	356 710	928 875	314 600	830 834	1 653 639	8 604 090	4 483 581

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
STATEMENT OF FINANCIAL PERFORMANCE

		2020	2019
			Restated
	Note	N\$	N\$
REVENUE			
Revenue from non-exchange transactions		45 625 887	28 624 013
Property rates	3	19 889 362	19 651 917
Transfers from other government entities	4	25 736 525	8 972 096
Revenue from exchange transactions		81 304 457	84 393 017
Service charges	5	55 356 188	56 170 366
Rendering of services		1 859 302	5 786 902
Royalty income		3 358 799	3 292 248
Recoveries		732 607	1 497 769
Rental of facilities and equipment	6	6 807 733	5 665 075
Interest received (trading)		8 009 541	8 616 772
Licences and permits		19 476	10 182
Miscellaneous other revenue		326 063	316 991
Commissions received		-	4 817
Other income 1		2 000 242	2 908 855
Interest received - investment		2 834 506	123 040
Total Revenue		126 930 344	113 017 030
EXPENSES			
		106 863 160	113 732 894
Bulk purchases		19 610 558	20 262 339
Employee costs	7	32 906 978	28 107 596
Remuneration of Councillors		467 965	483 092
Depreciation and amortisation expense		20 264 816	19 900 827
Repairs and maintenance		2 240 113	1 884 202
Contracted services	8	3 470 282	35 018 286
Debt impairment		6 760 939	-
General expenses	9	19 934 755	8 076 552
Interest expenses		1 206 754	-
Surplus for the period		20 067 184	(715 864)

ANNEXURE B

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	2020	2019
		Restated
Note	N\$	N\$
ASSETS		
Current assets	100 282 534	88 261 217
Cash and cash equivalents	11 69 459 842	60 184 659
VAT Receivable	9 449 668	9 349 774
Receivables from exchange transactions	12 20 389 633	17 826 877
Inventories	983 391	899 907
Non-current assets	222 013 957	205 565 147
Property plant and equipment	13 222 013 957	205 565 147
Total assets	322 296 491	293 826 364
LIABILITIES		
Current liabilities	25 762 373	15 222 131
Payables under exchange transactions	14 20 089 973	10 011 398
Consumer deposits	3 253 770	2 958 018
Other liability 3	2 418 630	2 252 715
Non-current liabilities		
Other liability 3	10 216 586	12 635 216
Total Liabilities	35 978 959	27 857 347
NET ASSETS/EQUITY	286 317 532	265 969 019
Other NDR	15 238 873 255	238 591 931
Accumulated surplus	47 444 277	27 377 088
Total net assets/equity	322 296 491	293 826 366

ANNEXURE C

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 STATEMENT
OF CHANGES IN NET ASSETS

	Other N\$	Accumulated surplus/deficit N\$	Total net assets/equity N\$
Balance as at 01 July 2018	209 098 234	28 092 952	237 191 186
Changes in net assets/equity			
Surplus for the year	-	(715 864)	(715 864)
Direct adjustments to NDR	9 592 870	-	9 592 870
Reversal of depreciation expensed to capital outlay	19 900 827	-	19 900 827
Total changes	29 493 697	(715 864)	28 777 833
Restated balance at 01 July 2019	238 591 931	27 377 088	265 969 019
Changes in net assets/equity			
Surplus for the year	-	20 067 184	20 067 184
Entity combinations	281 324	-	281 324
Total changes	281 324	20 067 184	20 348 508
Balance as at 30 June 2020	238 873 255	47 444 272	286 317 527

ANNEXURE D

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CASH FLOW STATEMENT

	2020	2019
		Restated
Note	N\$	N\$
Cash flow from operating activities		
Surplus (deficit)	20 067 184	(715 864)
Adjustments for:		
Depreciation and amortisation expense	20 264 816	19 900 827
Debt impairment	6 760 939	-
Movement in reserves- Accumulated surplus	-	(3 345 438)
Direct adjustment to NDR	281 547	9 592 869
Changes in working capital		
Inventories	(83 484)	(899 907)
Receivables from exchange transactions	(2 562 756)	(1 918 669)
Consumer debtors	(6 760 939)	-
Payables under exchange transactions	10 078 579	3 537 759
VAT	(99 894)	(3 225 996)
Consumer deposits	295 752	381 146
Net Cash flows from operating activities	48 241 744	23 306 727
Cash flow from investing activities		
Purchase of property plant and equipment	(36 713 846)	(31 694 782)
Net movement in PPE reclassification	-	281 988
Capital outlay	-	19 900 826
Net cash flow from investing activities	(36 713 846)	(11 511 968)
Cash flow from financing activities		
Movement in other liability 3	(2 252 715)	(5 112 070)
Net cash flow from financing activities	(2 252 715)	(5 112 070)
Net increase/(decrease) in cash and cash equivalents	9 275 183	6 682 689
Cash and cash equivalents at the beginning of the period	60 184 659	53 501 970
Cash and cash equivalents at the end of the period	69 459 842	60 184 659

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved Budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	N\$	N\$
Statement of Financial Performance					
Revenue					
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	-	-	-	19 889 362	19 889 362
Transfers from other government entities	-	-	-	25 736 525	25 736 525
Total revenue from non-exchange transactions	-	-	-	45 625 887	45 625 887
Revenue from exchange transactions					
Service charges	-	-	-	55 356 188	55 356 188
Renting of services	-	-	-	1 859 302	1 859 302
Royalty income	-	-	-	3 358 799	3 358 799
Rental of facilities and equipment	-	-	-	6 807 733	6 807 733
Interest received (trading)	-	-	-	8 009 541	8 009 541
Licences and permits	-	-	-	19 476	19 476
Miscellaneous other revenue	-	-	-	326 063	326 063

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)

Recoveries	-	-	732 607	732 607
Other income 1	-	-	2 000 242	2 000 242
Interest received- Investment	-	-	2 834 506	2 834 506
Total revenue from exchange transactions	-	-	81 304 457	81 304 457
Total revenue	-	-	126 930 344	126 930 344
Expenditure	-	-	(19 610 558)	(19 610 558)
Bulk purchases	-	-	(32 906 978)	(32 906 978)
Employee costs	-	-	(467 965)	(467 965)
Remuneration of Councilors	-	-	(20 264 816)	(20 264 816)
Depreciation & amortisation expense	-	-	(2 240 113)	(2 240 113)
Repairs and maintenance	-	-	(3 470 282)	(3 470 282)
Contracted services	-	-	(6 760 939)	(6 760 939)
Debt impairment	-	-	(19 934 755)	(19 934 755)
General expenses	-	-	(1 206 754)	(1 206 754)
Interest paid	-	-	(106 863 160)	(106 863 160)
Total expenditure	-	-	20 067 184	20 067 184
Surplus before taxation	-	-	20 067 184	20 067 184
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	20 067 184	20 067 184

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board in accordance with the Local Authorities Act 23 of 1992.

These accounting policies are consistent with the previous period since the Council is still in the transition period.

1.1. Presentation currency

These annual financial statements are presented in Namibian Dollar, which is the functional currency of the entity.

1.2. Revenue from non-exchange transactions

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.2. Revenue from non-exchange transactions (continued)**Transfers**

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

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

1.3. Revenue from exchange transactions

Revenue is 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.

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.3. Revenue from exchange transactions (continued)**Measurement**

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

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised 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 the 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 measured reliably.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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ACCOUNTING POLICIES

1.3. Revenue from exchange transactions (continued)

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

1.4. Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

1.5. Property, plant and equipment

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 are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.5. Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the 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 the cost.

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Buildings	
• Buildings	20-50
Plant and machinery	
• Plant and machinery	10
• Tractors and trailers	10
Furniture and fixtures	
• Office Furniture	10
Motor vehicles	
• Sedans	5
• LDVs and Combis	5
Office equipment	
• Office Equipment	5
IT equipment	
• Computer equipment	5
Infrastructure	
• Water networks	15-25
• Roads and streets	15-25

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.5. Property, plant and equipment (continued)

• Sewer network	15-25
Bins and containers	
• Skip containers	10

Transitional provision

The entity previously applied IPSAS 17 (2001), therefore the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

The entity used the transitional provision in IPSAS 17 (2001) which provide entities with a period of up to three years to recognise all property, plant and equipment and make the associated measurement and disclosure from the date of its first application. The initial date of first adoption is 01 July 2018; hence, the audited figures as at 30 June 2018 were adopted as deemed costs.

Entity shall apply amendments to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

1.6. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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ACCOUNTING POLICIES

1.7. Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of IPSAS on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.7. Financial instruments (continued)

- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
 - exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.
- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

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ACCOUNTING POLICIES

1.7. Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.7. Financial instruments (continued)

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.7. Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.7. Financial instruments (continued)

**De-recognition
Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

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ONDANGWA TOWN COUNCIL
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1.7. Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer.

For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.7. Financial instruments (continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.8. Inventories

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

1.9. Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. ### of YYYY). Loans from national and provincial government used to finance housing selling schemes undertaken by the entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. Employee benefits

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

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ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
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1.10. Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.11. Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES

1.1. Borrowing costs (continued)

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12. Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the Namibia Government. As a consequence of the constitutional independence of the three spheres of government in Namibia, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.13. Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

ANNEXURE F

**ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
ACCOUNTING POLICIES**

1.13. Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.14. Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.15. Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16. Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.17. Investments in associates

An investment in an associate is carried at cost less any accumulated impairment.

1.18. Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

ANNEXURE G

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
	N\$	N\$
2 Revenue	126 930 344	113 017 030
Rendering of services	1 859 302	5 786 902
Service charge	55 356 188	56 170 366
Rental of facilities and equipment	3 358 799	3 292 248
Interest received	6 807 733	5 665 075
Interest received (trading)	8 009 541	8 616 772
Licences and permits	19 476	10 182
Miscellaneous other revenue	326 063	316 991
Commission received	-	4 817
Recoveries	732 607	1 497 769
Other income 1	2 000 242	2 908 855
Interest received- Investment	2 834 506	123 040
Property rates	19 889 362	19 651 917
Transfers from other government entities	25 736 525	8 972 096

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

	81 304 457	84 393 017
Service charges	55 356 188	56 170 366
Rendering of services	1 859 302	5 786 902
Royalty income	3 358 799	3 292 248
Rental of facilities and equipment	6 807 733	5 665 075
Interest received (trading)	8 009 541	8 616 772
Licences and permits	19 476	10 182
Miscellaneous other revenue	326 063	316 991
Commission received	-	4 817
Recoveries	732 607	1 497 769
Other income 1	2 000 242	2 908 855
Interest received- Investment	2 834 506	123 040

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
	N\$	N\$
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue	45 625 887	28 624 013
Property rates	19 889 362	19 651 917
Transfer revenue	25 736 525	8 972 096
Transfers from other government entities		
3 Property rates	19 889 362	19 651 917
Rates received		
Residential	7 446 188	7 279 673
Commercial	12 443 174	12 372 244
4 Transfers from other government entities		
Operating grants	25 736 525	8 972 096
Government grant (operating) 1	2 599 571	2 000 000
Government grant (operating) 2	23 136 954	6 972 096
5 Service charges	55 356 188	56 170 366
Sales of water	39 156 210	41 762 500
Sewerage and sanitation charges	5 773 769	4 951 968
Refuse removal	10 426 209	9 455 898
6 Rental of facilities and equipment	6 807 733	5 665 075
Rental income- third party	36 320	34 769
Rental income	6 771 413	5 630 306
7 Employee related costs	32 906 978	28 107 596
Basic	16 678 404	15 113 216
Bonus	1 337 957	1 245 317
Medical aid- company contribution	2 779 100	2 229 892
UIF	69 910	65 391

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ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
	N\$	N\$
7 Employee related costs (continued)		
WCA	79 185	90 659
Leave pay provision charge	1 683 095	600 101
Defined contribution plans	3 589 540	3 162 223
Overtime payments	357 508	242 267
Car allowance	999 482	823 579
Housing benefits and allowances	5 091 255	4 384 244
Other # 4	125 688	84 813
Other # 5	98 200	46 600
Other # 6	17 654	19 294
	3 470 282	35 018 286
8 Contracted services		
Specialist services	-	31 711 443
Other contractors	3 470 282	3 306 843
	19 934 755	8 076 552
9 General expenses		
Auditors remuneration	34 800	-
Bank charges	489 293	579 521
Cleaning	9 357	94 376
Consulting and professional fees	1 370 685	445 173
Consumables	1 788 772	738 213
Donations	12 275	17 046
Entertainment	85 806	172 505
Hire	111 966	54 130
Insurance	803 258	671 314
IT expenses	8 825	7 456
Levies	2 008 650	953 223
Motor vehicle expenses	1 054 903	762 357
Postage and courier	409 555	404 208
Printing and stationery	302 819	403 627
Promotions	-	136 550
Protective clothing	24 895	180 378

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ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
	N\$	N\$
9 General expenses (continued)		
Security (guarding of municipal property)	2 024 718	1 644 627
Staff welfare	24 392	355 724
Subscription and membership fees	58 900	84 000
Telephone and fax	262 818	298 697
Training	57 422	334 655
Travel- local	408 925	531 490
Electricity	4 965 374	4 830 023
Rent daily activities	512 400	2 500
Survey Expenses	1 040 382	1 751 168
Consumables	373 312	889 935
Expense 8	(353 325)	(8 572 251)
Expense 9	1 751 233	-
Other expenses	292 345	305 907
	2 732 849	4 411 441
10 Other revenue		
Commission received	-	4 817
Recovery	732 607	1 497 769
Other income	2 000 242	2 908 855
	69 459 842	60 184 659
11 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	460	460
Bank balances	15 347 586	1 469 054
Short-term deposits	54 111 796	58 715 145
	20 389 633	17 826 877
12 Receivables from exchange transactions		
Trade debtors	16 784 533	14 058 172
Other receivables 1	574 950	738 555
Housing debtors	3 030 150	3 030 150

ANNEXURE G

ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020		2019		
	Accumulated depreciation and	Carrying Value	Accumulated depreciation and	Carrying Value	
13 Property, plant and equipment	Cost/Valuation N\$	impairment N\$	Cost/Valuation N\$	impairment N\$	
Buildings	61 351 736	(26 067 078)	51 021 036	(23 714 231)	27 306 805
Plant and Equipment	14 553 815	(7 741 962)	13 552 732	(6 696 251)	6 856 481
Motor vehicles	6 422 369	(4 325 915)	5 675 178	(3 636 452)	2 038 726
Office equipment	644 932	(461 074)	630 076	(427 428)	202 648
IT equipment	1 928 700	(1 452 464)	1 602 373	(1 328 640)	273 733
Infrastructure	316 627 616	(139 466 718)	292 334 147	(123 447 391)	168 886 756
	401 529 168	(179 515 211)	222 013 957	(159 250 393)	205 565 149

ONDANGWA TOWN COUNCIL

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

Reconciliation of property plant and equipment

	2020			Total
	Opening balance	Additions	Depreciation	
	N\$	N\$	N\$	N\$
Buildings	27 306 805	10 330 699	(2 352 846)	35 284 658
Plant and machinery	6 856 481	1 001 304	(1 045 932)	6 811 853
Motor vehicles	2 038 726	747 190	(689 462)	2 096 454
Office equipment	202 648	14 856	(33 646)	183 858
IT equipment	273 733	326 328	(123 825)	476 236
Infrastructure	168 886 756	24 293 469	(16 019 327)	177 160 898
	205 565 149	36 713 846	(20 265 038)	222 013 957

Reconciliation of property plant and equipment

	2019				Total
	Opening balance	Additions	Transfers	Depreciation	
	N\$	N\$	N\$	N\$	N\$
Buildings	-	-	28 954 736	(1 647 931)	27 306 805
Plant and machinery	194 053 182	31 694 782	(217 436 509)	(1 454 974)	6 856 481
Motor vehicles	-	-	2 661 342	(622 616)	2 038 726
Office equipment	-	-	425 309	(222 661)	202 648
IT equipment	-	-	1 039 823	(766 090)	273 733
Infrastructure	-	-	184 073 311	(15 186 555)	168 886 756
	194 053 182	31 694 782	(281 988)	(19 900 827)	205 565 149

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ONDANGWA TOWN COUNCIL
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
	N\$	N\$
14 Payables under exchange transactions	20 089 973	10 011 398
Trade payables	12 041 939	5 399 820
Other payables 1	5 468 037	4 394 672
Other payables 2	-	216 906
Other creditors # 1	1 647 050	-
Other creditors # 2	932 947	-
15 Other NDR	238 873 255	238 591 931
Other 1	224 759 331	224 478 007
Other 2	14 113 924	14 113 924