



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **TOWN COUNCIL OF ONDANGWA**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 AND 2022**



**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 years ended 30 June 2021 and 2022 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 No 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, March 2024**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

Handwritten scribble or signature

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ONDANGWA  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021 AND 2022**

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**SECTION A: FINANCIAL AUDIT**

**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Town Council of Ondangwa for the financial years ended 30 June 2021 and 2022. 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 years 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 years ended 30 June 2021 and 2022 and its financial performance and their cash flow for the years 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. PROPERTY, PLANT AND EQUIPMENT**

**2.1.1 Presentation of land and building**

The Council did not disclose land to the value of N\$ 14 085 000 separately from the buildings value of N\$ 33 316 061 (2021) and N\$ 31 390 835 (2022) contrary to IPSAS 17 paragraph 74 that states: *"Land and buildings are separable assets and are accounted for separately, even when they are acquired together"*.

The Council is recommended to ensure that it presents land separate from the building value in the financial statements in accordance with IPSAS 17 paragraph 74.

### **2.1.2 Capitalisation of capital projects**

- Assets under construction are overstated by N\$ 2 970 732 (2021) and N\$ 1 712 859 (2022) as a result of the Council not transferring capital projects that are completed to property, plant and equipment on their completion date.
- Transfers from assets under construction to infrastructure is overstated by N\$ 20 157 810 (2021) and N\$ 3 032 038 (2022) due to the Council transferring completed capital projects in the wrong accounting periods.

The Council is recommended to ensure that all projects that are completed and ready for use are transferred from work in progress to their respective property, plant and equipment classes upon their practical completion within the relevant financial period.

### **2.1.3 Assets transferred to infrastructure**

The cost of items transferred from assets under construction to infrastructure amounting to N\$ 5 276 745 (2021) and N\$ 5 778 120 (2022) could not be confirmed due to incomplete information on the completion certificates (i.e. total project cost, project value and general ledger account for every capital project under construction).

The Council is recommended to ensure that sufficient and appropriate supporting documentation are provided for audit purposes at all times.

## **2.2. PROVISION FOR THE DUMPSITE**

As previously reported, the Council did not recognise the provision for the rehabilitation and restoration of the dumpsite in both financial years under review. This resulted in the understatement of the cost of the dumpsite and the related liability.

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

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

### **2.3. INVESTMENT IN NORED**

For both financial years, the Council did not disclose its investment in NORED.

The Council is recommended to disclose all its investments in the financial statements.

### **2.4. INVESTMENT PROPERTY**

#### **2.4.1 Recognition of land available for lease as investment property**

The Council incorrectly classified plots that are leased with an option to buy to a value of N\$ 734 364 000 as investment property in both financial years.

The Council is recommended to ensure that it assess the intended use of all the land that it owns and ensure that land is correctly classified in accordance with its intended use.

#### **2.4.2 Public open space classified as investment property**

The Council incorrectly classified a public open space to the value of N\$ 37 814 600 as investment property in both financial years. This amount comprises N\$ 35 616 000 for land and N\$ 2 198 600 for improvements done on the land.

The Council is recommended to ensure that it assess the intended use of all the land that it owns and ensures that land is correctly classified in accordance with its intended use. Furthermore, the Council is recommended to ensure that only buildings that meets the definition of the Council's assets are disclosed in the financial statements.

#### **2.4.3 De-recognition of erven sold**

The Council incorrectly included erven that were sold in the 2021 financial year, with a carrying amount of N\$ 9 317 000 in the investment property balance for both financial years under review. These erven were fully paid for in the 2021 financial and revenue from their sales was recognised in the same year.

The above resulted in the overstatement of investment property by N\$ 9 317 000 in both financial years due to the Council not derecognising the erven that were disposed. Additionally, revenue from sales of erven is overstated by N\$ 6 266 920 and the loss on disposal of investment property is understated by N\$ 3 050 in the 2021 financial year as a result of incorrect accounting for the disposal of the items of investment property.

The Council is recommended to ensure that items of investment property that are disposed off are correctly de-recognised and their disposal is correctly accounted for in accordance with IPSAS 16 paragraph 80 which states *"gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in surplus or deficit in the period of the retirement or disposal"*.

#### **2.4.4 Cost of sales**

There is an overstatement of cost of sales by N\$ 10 570 000 in 2022 resulting from the Council incorrectly accounting for the carrying amount of the items of investment properties that were sold under the cost of sales account. The same amount was also incorrectly presented as proceeds from the sale of investment property in the cash flow statement resulting in the overstatement of the balance by N\$ 3 089 062. Furthermore, revenue from sales of erven is overstated by N\$ 7 480 938 and loss on disposal of investment property is understated by N\$ 3 089 062 in the 2022 financial year.

The Council is recommended to ensure that it correctly accounts for the sale of erven in accordance with IPSAS 16 that states: *“gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in surplus or deficit in the period of the retirement or disposal”*.

#### **2.4.5 Ownership of items disclosed as investment property**

The Council disclosed land to the value of N\$ 4 182 000 and buildings with a value of N\$ 54 413 200 which does not belong to the Ondangwa Town Council. The Council indicated in its response to the management letter that the properties do not belong to it, but no title deeds were provided for the auditors to confirm the owners of these properties.

The Council is recommended to ensure that it only discloses assets over which it has ownership or full usage rights.

### **2.5. INVENTORY**

The Council did not disclose the closing inventory level and the value of water for both financial years.

The Council indicated in its accounting policies that “water is regarded as inventory when it has purchased water in bulk with the intention to resell it to the consumers or to use it internally, or where the Council has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.)”

During the years under review, the Council incurred N\$ 20 528 701 (2022) and N\$ 22 784 228 (2021) in bulk water purchases. However, these transactions were recorded in the statement of financial performance and not disclosed as cost of inventory. Furthermore, no stock take report was provided for audit for both financial years, thus the audit could not determine the level of water that was not sold at year-end in order to determine the valuation of stock at hand.

The Council is recommended to ensure that it correctly account for water purchased with the intention of resell or consumption in accordance with its accounting policy.



## **2.6. RESERVES**

The Council has other reserves to the value of N\$ 239 982 740 (2022) and N\$ 239 703 969 (2021) related to capital development fund, external loan redeemed, build together housing fund, contribution out of income and general capital account.

These accounts do not meet the definition of equity as per IPSAS 1 which states that “ *the components of net assets/equity are contributed capital, accumulated surpluses or deficits, reserves and non-controlling interest*”. The standard further outlines the types of reserves that qualifies as equity and the reserves disclosed by the Council are not part of the types of reserves listed by the standard.

The Council is recommended to ensure that it only recognises equity items that meets the definition of equity as per IPSAS 1.

## **2.7. REVENUE**

The Council did not charge the sales of erven as per the gazetted tariffs for transactions amounting to N\$ 2 047 360 (2022) and N\$ 2 902 193 (2021). This resulted in a difference of N\$ 29 790 (2022) and N\$ 610 235 (2021) between the transactions amount of N\$ 2 047 360 (2022) and N\$ 2 902 193 (2021) and the recalculated purchase price of N\$ 2 017 570 (2022) and N\$ 2 291 958 (2021).

The Council is recommended to ensure that erven are sold at the selling price as per the gazetted tariffs.

## **2.8. TRADE AND OTHER RECEIVABLES**

### **2.8.1. Debt impairment**

The Council disclosed debt impairment in the statement of financial performance amounting to N\$ 25 161 750 instead of N\$ 15 631 754 which is the movement between the opening and the closing debt impairment, therefore resulting in an unexplained difference of N\$ 9 529 996 for the year ended 30 June 2021.

The Council is recommended to ensure that only the movement between prior year and current year's debt impairment is disclosed in the statement of financial performance.

### **2.8.2. Disclosure of trade receivables**

The Council did not disclose the total trade receivables amounting to N\$ 97 291 821 before the debt impairment amount of N\$ 75 022 993 in the notes to the financial statements for the year ended 30 June 2022. The Council only disclosed the net trade receivable balance of N\$ 22 268 828 which does not comply with IPSAS 1 paragraph 48 which states that “*assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS*”.

It is recommended that the Council comply with IPSAS 1 paragraph 48 to ensure that transactions are not set off.

## **2.9. EMPLOYEE COST**

Remuneration of key management personnel amounting to N\$ 3 698 116 were not disclosed in the notes to the 2022 financial statements contrary to paragraph 34 (a) of IPSAS 20 that states: *“an entity shall disclose the aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class”*.

The Council is recommended to ensure that the aggregate remuneration of key management personnel is disclosed in accordance with IPSAS 20.

## **2.10. IPSAS DISCLOSURES**

### **2.10.1 Financial statements**

The Council did not comply with IPSAS 1 as it still took advantage of transitional exemptions in IPSAS 33 in the preparation of its 2022 financial statements as stated under the accounting policies section, although its 2021 financial statements had an unreserved statement of compliance to IPSAS.

The Council is recommended to comply with IPSAS in compiling their financial statements.

## **2.11. ACCOUNTING POLICIES**

The useful lives of items of property, plant and equipment as presented in the 2022 financial year accounting policies is different from the useful lives presented in the 2021 financial year accounting policies and no disclosures were made in accordance with paragraph 44 of IPSAS 3 which states: *“an entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect on future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect”*.

The Council is recommended to ensure that appropriate disclosures are made for changes to the accounting estimates in accordance with IPSAS 3.

## **2.12. NON SUBMISSION OF SUPPORTING DOCUMENTS**

- The Council did not provide a detailed valuation report together with the bidding documents for the valuation of the infrastructures that was performed by a consultant as well as the internal valuation that was performed by the Council to recognise assets that were not previously recognised and/or that did not have values in the prior years. The audit could therefore not confirm the accuracy and valuation as well as the completeness of the movement of N\$ 80 999 108 between the original 2021 closing balance of N\$ 234 163 995 and the restated 2021 balance of N\$ 315 163 103.

- Supporting documents for the adjustment made on value added tax amounting to N\$ 9 529 994 were not submitted for audit verification. The auditors could therefore not satisfy themselves on the accuracy, completeness, and valuation of the adjustment made.

It is recommended that the Council ensures that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii) in order to conclude on the audit observation.

### **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 nothing to report in this regard.

### **4. OTHER INFORMATION**

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does 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.

### **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 and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- I also, provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

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

The financial statements for the financial years ended 30 June 2021 and 2022 were not submitted in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

## **SECTION B: AUDIT OF KEY PERFORMANCE INFORMATION**

I conducted an audit on the performance information of the Town Council of Ondangwa for the strategic periods 2017 to 2021 and 2022 to 2028, consecutively with the audit of financial statements for the years ended 30 June 2021 and 30 June 2022.

### **1. DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE**

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

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

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

### **2. AUDIT OBJECTIVE**

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

### **3. AUDIT CRITERIA**

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

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

### **4. SUMMARY OF METHODS APPLIED**

I reviewed the strategic plans for the strategic periods 2017 to 2021 and 2022 to 2028 and comprised documentation review and interviews with senior and top management.

## 5. KEY AUDIT FINDINGS

### 5.1. STRATEGIC PLANS AND REPORTING

The Council did not include the 2021/2022 period in its strategic plans. Furthermore, the Council did report on the strategic outcomes for 2020/2021 and 2021/2022.

### 5.2. STRATEGIC OBJECTIVES EXECUTION

In order to determine whether there has been activity with regard to strategic objectives, auditors sampled nine (9) out of twenty-four (24) strategic objectives and requested for documentary proof of actions taken. The following 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.

The Council undertook some activities, however, except for those requiring the drafting of documents, the completion of activities could not be ascertained due to various reasons as summarized in the table below:

Activities undertaken in line with strategic plan 2016-2017 for the 2020/2021 and 2021/2022 periods	Comments
Service Master Plans (electricity, sewer water and roads)	Only Water master plan submitted
Number of extension serviced 18, Onguta, Ext 26, 27 and 7, Portion 55, Uupopo, Okangwena	Appointments letters to contractors provided for servicing of extensions only and no documentation provided in terms of completion
Number of townships formalized Uupopo, Onguta, Okangwena, Portion 55, Oshitayi, Airport	Only two townships formalized as per documentation submitted
Number of meetings held with stakeholders	No information was provided

Activities undertaken in line with strategic plan 2016-2017 for the 2020/2021 and 2021/2022 periods	Comments
Number of policies reviewed and developed	10 Policies developed
Number of environmental management plan approved	1 Environmental management plan approved
Staff Training	List of trainings provided for staff training and Councillors capacitation however no other documents provided (i.e. attendance registers, programs by training providers, invoices paid etc.)
Councillors Capacitation	

### 5.3. INSUFFICIENT SUPPORTING DOCUMENTATION

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

### 6. 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.

### 7. ACKNOWLEDGEMENTS

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

WINDHOEK, March 2024

  
**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**



**TOWN COUNCIL OF ONDANGWA  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022  
GENERAL INFORMATION**

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<b>Country of incorporation and domicile</b>	Namibia
<b>Legal form of entity</b>	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
<b>Nature of business and principal activities</b>	Principal activities of Town Council of Ondangwa are: <ol style="list-style-type: none"> <li>1. Provide its residents with equitable municipal services;</li> <li>2. Ensure sustainable service delivery to all its inhabitants;</li> <li>3. Promote social and economic development within the municipal area,</li> </ol>
<b>Council Mayor</b>	Amwele Mulanduleni Paavo Ester Mweneni Auala (Dep. Mayor) Julia Kapia (Mc Chairperson) Nicodemus Nyanyukweni Amadhila (Mc Members) Ericky Angula ((Mc Members) Maria Ndemutegelela Haufiku Alfeus Hauwanga
<b>Grading of local authority</b>	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
<b>Chief Executive Officer</b>	Ishmael Namgongo
<b>Management team</b>	Malakia Lihongeni (Snr Manager: Finance)
<b>Registered office</b>	Ondangwa Main Road
<b>Postal address</b>	Private Bag 2032 Ondangwa Namibia
<b>Auditors</b>	Auditor-General

**TOWN COUNCIL OF ONDANGWA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022**  
**ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

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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 which have been prepared on the going concern basis, were approved by the Council on 21 September 2021 and 09 March 2023 for 2021 and 2022 financial years respectively and were signed on its behalf by:

Ismael Ileni Namgongo  
Chief Executive Officer

**TOWN COUNCIL OF ONDANGWA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**COUNCIL'S REPORT**

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The Accounting Officer submits the Council's report for the year ended 30 June 2021.

### **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\$ 1 156 999 (2021): N\$ 20 067 184 (2020). The restated 2021 net surplus was N\$ 438 779.

### **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 Council continue to procure funding for the on-going 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 of the entity during the year and to the date of this report are as follows:

<b>Name</b>	<b>Nationality</b>	<b>Changes</b>
Amwele M. Paavo	Namibian	Appointed
Ester Mweneni Aula	Namibian	Appointed
Julia Kapia	Namibian	Appointed
Nicodemus Nyanyukweni. Amadhila	Namibian	Appointed
Alfeus Hauwanga	Namibian	Appointed
Ericky Angula	Namibian	Appointed
Maria Ndemutegelela. Haufiku	Namibian	Appointed

**TOWN COUNCIL OF ONDANGWA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**COUNCIL'S REPORT(Continued)**

**5. Councillors and executive managers emoluments**

	Annual Remuneration	Bonuses and performance related payments	Retirement fund contribution	Medical contribution	Travelling allowance	Other	Total package 2021	Total package 2020
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Non -Executive members</b>								
Mayor	77 500	-	-	-	12 000	-	89 500	89 500
Deputy Mayor	69 751	-	-	-	7 200	-	76 951	76 951
Other Councillors	335 835	-	-	-	8 400	-	344 235	344 235
	<b>*449 895</b>	-	-	-	<b>27 600</b>	-	<b>* 510 686</b>	<b>* 510 686</b>
<b>Executive Members</b>								
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
	<b>4 036 346</b>	<b>356 710</b>	<b>928 875</b>	<b>314 600</b>	<b>803 234</b>	<b>1 653 639</b>	<b>8 093 404</b>	<b>4 000 495</b>
<b>Total Councillors and Executive Managers emoluments</b>	<b>*4 486 241</b>	<b>356 710</b>	<b>928 875</b>	<b>314 600</b>	<b>830 834</b>	<b>1 653 639</b>	<b>8 604 090</b>	<b>4 511 181</b>

\*There is a difference of N\$ 33 191 between the amount presented above and the recalculated amount of N\$ 483 086. The same difference is noted on total annual remuneration for Councillors and Executive.

<sup>a</sup> There is a difference of N\$ 42 721 (2020) and N\$ 33 191 (2021) between the amount presented above and the amount in the statement of financial performance of N\$ 467 965 (2020) and N\$ 477 495 (2021)

**TOWN COUNCIL OF ONDANGWA  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2022	2021	2021	2020
		N\$	Restated N\$	N\$	N\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	11	144 495 330	140 654 061	87 054 061	100 280 534
Vat receivable		64 474 779	60 821 995	60 821 995	69 459 842
Receivables from exchange transactions	13	-	173 005	173 005	*9 447 668
Inventories	14	26 025 160	25 075 670	25 075 670	20 389 633
		53 995 391	54 583 391	983 391	983 391
<b>Non-current assets</b>					
Property, plant and equipment	19	1 162 669 295	1 161 556 384	234 163 995	222 013 958
Investment property	20	327 167 923	315 163 103	234 163 995	222 013 958
		835 501 372	846 393 281	-	-
<b>Total assets</b>		<b>1 307 164 625</b>	<b>1 302 210 445</b>	<b>321 218 056</b>	<b>322 294 492</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Consumer deposits	16	20 554 568	26 212 786	26 212 786	25 762 374
Payables from exchange transactions	15	3 985 092	3 597 303	3 597 303	3 253 770
Payables from non-exchange transactions	18	12 795 087	19 523 291	19 523 291	20 089 974
Vat payable		216 907	216 907	216 907	-
Short term loan borrowings	17	550 092	-	-	-
		3 007 390	2 875 285	2 875 285	2 418 630
<b>Non-current liabilities</b>					
Long-term loan borrowings	17	4 303 052	7 301 840	7 301 840	10 216 586
		4 303 052	7 301 840	7 301 840	10 216 586
<b>Total Liabilities</b>		<b>24 857 620</b>	<b>33 514 626</b>	<b>33 514 626</b>	<b>35 978 960</b>

## ANNEXURE A

**TOWN COUNCIL OF ONDANGWA  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE (Continued)**

	2022	2021 Restated	2021	2020
Note	N\$	N\$	N\$	N\$
<b>Net Assets</b>	<b>1 282 307 005</b>	<b>1 268 695 819</b>	<b>287 703 430</b>	<b>286 315 532</b>
<b>NET ASSETS/EQUITY</b>				
Reserves	239 982 740	239 703 969	239 703 969	238 873 255
Accumulated surplus	1 042 324 265	1 028 991 850	47 999 461	47 444 277
<b>Total net assets/equity</b>	<b>1 282 307 005</b>	<b>1 268 695 819</b>	<b>287 703 430</b>	<b>286 317 532</b>

\*There is a difference of N\$ 2 000 between the amount presented above and the amount in the 2020 audited financial statements of N\$ 9 449 668.

**TOWN COUNCIL OF ONDANGWA**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 30 JUNE**

		<b>2022</b>	<b>2021</b> <b>Restated</b>	<b>2021</b>	<b>2020</b>
	Note	N\$	N\$	N\$	N\$
<b>REVENUE</b>					
<b>Revenue from non-exchange transactions</b>					
		<b>40 618 565</b>	<b>38 566 719</b>	<b>38 566 719</b>	<b>45 625 887</b>
Property rates	2	33 353 915	33 012 756	33 012 756	19 889 362
Transfers from other government entities	3	7 264 650	5 553 963	5 553 963	25 736 525
<b>Revenue from exchange transactions</b>					
		<b>96 928 039</b>	<b>93 628 128</b>	<b>93 628 128</b>	<b>81 657 782</b>
Service charges	4	60 804 532	60 202 327	60 202 327	55 356 188
Sale of erven		8 326 542	7 459 485	7 459 485	1 859 302
Royalty income		3 390 163	3 398 496	3 398 496	3 358 799
Rental of facilities and equipment	5	7 210 459	7 252 921	7 252 921	7 127 300
Interest received (trading)		12 395 756	11 667 098	11 667 098	8 009 541
Licences and permits		19 367	12 983	12 983	19 476
Other Revenue	6	3 308 799	2 134 645	2 134 645	3 092 670
Interest received on investment		1 472 421	1 500 173	1 500 173	2 834 506
<b>Total Revenue</b>		<b>137 546 604</b>	<b>132 194 847</b>	<b>132 194 847</b>	<b>127 283 669</b>
<b>EXPENSES</b>					
		<b>124 083 194</b>	<b>131 756 068</b>	<b>131 037 848</b>	<b>107 216 485</b>
Bulk water purchases		20 528 701	22 784 228	22 784 228	19 610 558
Employee costs	7	32 350 831	32 746 271	32 746 271	32 906 978
Remuneration of Councillors	8	483 092	477 495	477 495	467 965
Depreciation and amortisation expense	19	22 174 352	21 251 614	*20 533 394	20 264 816
Repairs and maintenance		1 741 209	3 575 087	3 575 087	2 240 113
Contracted services		3 189 323	3 192 979	3 192 979	3 470 282
Debt impairment	13	11 995 548	25 161 750	25 161 750	6 760 939
General expenses	12	31 026 643	21 564 558	21 564 558	20 288 080
Interest paid		593 495	1 002 086	1 002 086	1 206 754
<b>Surplus for the period</b>		<b>13 463 410</b>	<b>438 779</b>	<b>1 156 999</b>	<b>20 067 184</b>

\*There is a difference of N\$ 831 754 between this amount and the amount in note 19 of N\$ 21 365 148.

## ANNEXURE C

**TOWN COUNCIL OF ONDANGWA**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022**

	<b>Other Reserves</b>	<b>Accumulated surplus/deficit</b>	<b>Total net assets/equity</b>
	N\$	N\$	N\$
Opening balance as previously reported	238 873 255	47 444 277	286 317 532
Adjustments			
Correction of errors	-	(601 815)	(601 815)
Change in Accounting policies	-	981 710 609	981 710 609
<b>Balance as at 01 July 2020 as restated</b>	<b>238 873 255</b>	<b>1 028 553 071</b>	<b>1 267 426 326</b>
Changes in net assets/equity			
Surplus for the year	-	438 779	438 779
Direct adjustments to net assets	830 714	-	830 714
<b>Total changes</b>	<b>830 714</b>	<b>438 779</b>	<b>1 269 493</b>
<b>Opening balance as previously reported</b>	<b>239 703 969</b>	<b>1 028 991 850</b>	<b>1 268 695 819</b>
Prior year adjustments	-	(130 996)	(130 996)
<b>Restated balance at 01 July 2021 restated</b>	<b>239 703 969</b>	<b>1 028 860 854</b>	<b>1 268 564 823</b>
Changes in net assets/equity			
Direct adjustments to net assets	278 771	-	278 771
Surplus for the year	-	13 463 410	13 463 410
<b>Total changes</b>	<b>278 771</b>	<b>13 463 410</b>	<b>13 742 181</b>
<b>Net assets as at 30 June 2022</b>	<b>239 982 740</b>	<b>1 042 324 264</b>	<b>1 282 307 004</b>



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

	Note	2021 Restated		2020	
		N\$	N\$	N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Surplus for the year:		13 463 410	438 779	1 156 999	20 067 184
<b>Adjustments for:</b>					
Depreciation and amortisation expense		22 174 352	21 251 614	20 533 394	20 264 816
Debt impairment		11 995 548	25 161 750	25 161 750	6 760 939
Direct adjustment to net assets and prior year errors (cash)		147 777	314 393	228 900	281 547
<b>Changes in working capital</b>					
Inventories		588 000	-	-	(83 484)
Receivables from exchange transactions		(949 490)	(4 686 037)	(4 686 037)	(2 562 756)
Debt impairment		(11 995 548)	(25 161 750)	(25 161 750)	(6 760 939)
Payables from exchange transactions		(6 728 205)	(566 682)	(566 682)	10 295 485
VAT Receivables		723 097	9 276 663	9 276 663	(99 894)
Taxes and transfers payables(non-exchange)		-	216 907	216 907	(216 906)
Consumer deposits		387 789	343 533	343 533	295 752
<b>Net Cash flows from operating activities</b>		<b>29 806 730</b>	<b>26 589 170</b>	<b>26 503 677</b>	<b>48 241 744</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	19	(33 857 263)	(32 768 926)	(32 683 432)	(36 713 846)
Proceeds from sales of investment property	20	10 570 000	-	-	-
<b>Net cash flow from investing activities</b>		<b>(23 287 263)</b>	<b>(32 768 926)</b>	<b>(32 683 432)</b>	<b>(36 713 846)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Repayment of loans		(2 866 683)	(2 458 091)	(2 458 091)	(2 252 715)
<b>Net cash flow from financing activities</b>		<b>(2 866 683)</b>	<b>(2 458 091)</b>	<b>(2 458 091)</b>	<b>(2 252 715)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 652 784</b>	<b>(8 637 847)</b>	<b>(8 637 846)</b>	<b>9 275 183</b>
Cash and cash equivalents at the beginning of the period		60 821 995	69 459 841	69 459 841	60 184 659
<b>Cash and cash equivalents at the end of the period</b>	11	<b>64 474 779</b>	<b>60 821 994</b>	<b>60 821 995</b>	<b>69 459 842</b>

**ANNEXURE E**

**TOWN COUNCIL OF ONDANGWA  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	
<b>Statement of Financial Performance</b>				
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>				
Property rates	23 014 000	33 012 756	9 998 756	1
Transfers from other government entities	20 000 000	5 553 963	(14 446 037)	2
<b>Total revenue from non-exchange transactions</b>	<b>43 014 000</b>	<b>38 566 719</b>	<b>(4 447 281)</b>	
<b>Revenue from exchange transactions</b>				
Service charges	61 208 000	60 202 327	(1 005 673)	
Rendering of services	15 000 000	7 459 485	(7 540 515)	3
Royalty income	3 000 000	3 398 496	398 496	
Rental of facilities and equipment	7 596 000	7 252 921	(343 079)	
Interest received (trading)	7 000 000	11 667 098	4 667 098	4
Licences and permits	21 000	12 983	(8 017)	
Other income	2 877 000	2 134 645	(742 355)	
Interest received- Investment	350 000	1 500 173	1 150 173	5
<b>Total revenue from exchange transactions</b>	<b>97 052 000</b>	<b>93 628 128</b>	<b>(3 423 872)</b>	
<b>Total revenue</b>	<b>140 066 000</b>	<b>132 194 847</b>	<b>(7 871 153)</b>	

<b>Expenditure</b>			
Bulk purchases	22 200 000	22 784 228	584 228
Employee costs	34 384 399	32 746 271	(1 638 128)
Remuneration of Councilors	483 086	477 495	(5 591)
Depreciation & amortization expense	21 000 000	20 533 394	(466 606)
Repairs and maintenance	6 486 000	3 575 087	(2 910 913)
Contracted services	3 896 000	*3 470 282	(425 718)
Debt impairment	-	25 161 750	25 161 750
General expenses	26 096 000	21 564 558	(4 531 442)
Interest paid	3 420 000	1 002 086	(2 417 914)
<b>Total expenditure</b>	<b>117 965 485</b>	<b>131 315 151</b>	<b>13 349 666</b>
Surplus/deficit for the year	22 100 515	879 696	(21 220 819)
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>22 100 515</b>	<b>879 696</b>	<b>(21 220 819)</b>

Note: The Council is not required to prepare and publish budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS 24.5, from preparing the Statement of Comparison of the Budgets and Actual amounts for those statements. Below are the explanatory notes on the variance above 10% raised from the Statement of Performance:

1. Property rates- *The Council acquired more properties during the year.*
2. Transfers from other government entities – *Budget cuts*
3. Rendering of services- *Received less than budgeted*
4. Interest received (trading) – *Consumers fail to settle their obligations as due timely.*
5. Interest received- *Investment- The Council invested more than expected.*
6. Depreciation & amortization expense- *The Council capitalized more asset than expected.*
7. Repairs and maintenance- *More repairs and maintenance cases occurred than what were projected.*
8. Interest paid- *This is due to change in prime borrowing rate.*
9. Debt impairment- *Movement in provision*

\*There is a difference of N\$ 277 303 between the amount presented above and the amount in the statement of financial performance of N\$ 3 192 979.

**ANNEXURE F**

**TOWN COUNCIL OF ONDANGWA  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	
<b>Statement of Financial Performance</b>				
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>				
Property rates	32 892 731	33 353 915	461 184	
Transfers from other government entities	6 106 000	7 264 650	1 158 650	1
<b>Total revenue from non-exchange transactions</b>	<b>38 998 731</b>	<b>40 618 565</b>	<b>1 619 834</b>	
<b>Revenue from exchange transactions</b>				
Service charges	62 061 000	60 804 532	(1 256 468)	2
Rendering of services	17 000 000	8 326 542	(8 673 458)	3
Royalty income	3 500 000	3 390 163	(109 837)	
Rental of facilities and equipment	7 595 000	7 210 459	(384 541)	
Interest received (trading)	11 000 000	12 395 756	1 395 756	4
Licences and permits	21 000	19 367	(1 633)	
Other income	3 095 200	3 308 799	213 599	
Interest received- Investment	2 700 000	1 472 421	(1 227 579)	5
<b>Total revenue from exchange transactions</b>	<b>106 972 200</b>	<b>96 928 039</b>	<b>(10 044 161)</b>	
<b>Total revenue</b>	<b>145 970 931</b>	<b>137 546 604</b>	<b>(8 424 327)</b>	

Expenditure			
Bulk purchases	20 528 701	(1 671 299)	6
Employee costs	32 350 831	(1 707 570)	7
Remuneration of Councillors	483 092	(241 538)	
Depreciation & amortisation expense	22 174 352	1 174 352	
Repairs and maintenance	1 741 209	(1 518 791)	8
Contracted services	3 189 323	(506 677)	
Debt impairment	11 995 548	11 995 548	9
General expenses	31 026 643	3 565 643	10
Interest paid	593 495	(559 897)	11
<b>Total expenditure</b>	<b>124 083 194</b>	<b>10 529 771</b>	
Surplus/deficit for the year	13 463 410	(18 954 098)	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>32 417 508</b>	<b>13 463 410</b>	<b>(18 954 098)</b>

Note: Council is not required to prepare and publish budgets for financial position and cash flow, thus exempted in terms of IPSAS 24.5, from preparing the statement of comparison of the budget and actual amounts for those statements.

1. Council received more subsidy than what its expected and this happen because our line ministry does not have a formula of allocation subsidies or sometimes allocation is not consisted.
2. Last year was a difficult year with lots of economic problem hence our consumer there still recovering from COVID pandemics.
3. Sales of land was below the estimated because payment extensions due to economic difficulties.
4. Interest received (trading), debts just increase by poor performance of the economy.
5. Interest received was below budgeted because of the interest repo decrease drastically.
6. The actual bulk purchases was below the budgeted monthly average usage, because Council suspended all water services for unpaid consumers.
7. The Employee cost were budgeted with 5% increment and later line minister issue a directive to all local authorities that no salary increment in 2021/2022.
8. Council introduced cost cutting measures resulting in savings.
9. Debt impairment was not budgeted because in the previously year were not budgeted
10. Council introduced cost cutting measures to divert funds to infrastructures rehabilitation.
11. The interest was overestimated.

**TOWN COUNCIL OF ONDANGWA  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022  
ACCOUNTING POLICIES**

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**1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with the Auditor-General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended. Town Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2019, having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General.

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

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

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

**Transitions statement**

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36 until 30 June 2022. As a result, The Town Council could not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2021.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

**1.1. Significant judgements and sources of estimation uncertainty**

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

**TOWN COUNCIL OF ONDANGWA**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022**  
**ACCOUNTING POLICIES**

---

**1.1. Significant judgements and sources of estimation uncertainty (Continued)**

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

The following are the critical judgements and estimations that management have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in annual financial statements:

**Revenue recognition**

Accounting policy 1.3 on revenue from exchange transactions and accounting policy 1.2 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the Council.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in IPSAS 9 (revenue from exchange transactions) and IPSAS 23 (revenue from non-exchange transactions). As far as revenue from non-exchange transactions is concerned (see basis of preparation above), and, in particular, whether the Council, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Council is satisfied that recognition of the revenue in the current year is appropriate.

**Impairment of Financial Assets**

Accounting Policy 1.9 on financial instruments sub-paragraph impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Council considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Council is satisfied that impairment of financial assets recorded during the year is appropriate.

**Impairment of Trade Receivables:**

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

**TOWN COUNCIL OF ONDANGWA  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022  
ACCOUNTING POLICIES**

---

**1.1. Significant judgements and sources of estimation uncertainty (Continued)**

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

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

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

**Impairment: write-down of property, plant & equipment, intangible assets, investment property and inventories**

Accounting Policy 1.7 on impairment of assets, accounting policy on intangible assets – subsequent measurement, amortisation and impairment and accounting policy 1.10 on inventory – subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Council. Significant estimates and judgements are made relating to impairment testing of property, plant and equipment, impairment testing of intangible assets and write-down of Inventories to the lowest of cost and net realisable value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets and the net realisable value for inventories involves significant judgment by management.

Estimated impairments during the year to inventory, property, plant and equipment, intangible assets and investment property are disclosed in Notes 14, 19, and 20 to the annual financial statements, if applicable.

**Deemed cost**

In line with IPSAS 33, management have adopted deemed cost for property, plant and equipment and investment properties in arriving at the cost of the assets. For property, plant and equipment (other than land and building), where information regarding the cost of the asset was not available, management used depreciated replacement cost to arrive at the deemed cost. While land and building, including investment property, management used the last municipal values as per last approved valuation roll. In making their judgement, management considered the replacement cost and remaining useful lives of the assets. Where deemed cost has been applied, management used take on date for the assets as 1 July 2019 for land and building, while for other assets is 1 July 2018.



**TOWN COUNCIL OF ONDANGWA  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022  
ACCOUNTING POLICIES**

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**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.

**Rates and Taxes**

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

**Government Grants and Receipts**

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

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

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

**Fines**

Fines constitute both spot fines and summonses.

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

**Bequests**

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

**TOWN COUNCIL OF ONDANGWA  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022  
ACCOUNTING POLICIES**

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

**Public Contributions**

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

**Services in-kind**

Services in-kind are not recognised.

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

**1.3. Revenue from exchange transactions**

**Sale of goods (including Houses)**

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

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

**Service charges**

Service charges are levied in terms of the approved tariffs.

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

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

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

Service charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council, and are levied monthly.

**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 (surcharge) are recognised as they are earned in accordance with the substance of the relevant agreements.

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

**1.4. Property, plant and equipment**

**Initial Recognition**

Property, plant and equipment are initially recognised at cost.

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

**Subsequent Measurement**

Subsequently all property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

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**1.4. Property, plant and equipment (continued)**

**Depreciation**

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

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

<b>Item</b>	<b>Average useful life</b>
Buildings	
• Improvement	10-50
Infrastructure	
• Roads and storm water	8-80
• Sanitation	10-90
• Solid waste	5-80
• Water	10-90
Other	
• Computer equipment	5-10
• Furniture and fittings	10-20
• Motor vehicles	5-21
• Plant and equipment	10-31

**Land**

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

**Incomplete Construction Work**

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

**De-recognition**

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

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## **1.5. Investment property**

### **Initial recognition**

At initial recognition, the Council measures investment property at cost. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

### **Subsequent Measurement**

Investment property is measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 10-80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is recognised in surplus or deficit.

### **De-recognition**

The gain or loss arising from the de-recognition of an item of investment property is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

## **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.

### **1.6.1. Town Council as Lessee**

#### **Finance leases**

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the Council uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

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**1.6. Leases (continued)**

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the effective interest rate method. Finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

**Operating Leases**

The Council recognises operating lease rentals as an expense in surplus or deficit on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

**1.6.2. Town Council as a Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Council's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Council's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**1.7. Impairment of cash-generating assets**

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

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

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

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

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

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**1.7. Impairment of cash-generating assets (continued)**

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

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

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

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

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

**1.8. Impairment of non-cash-generating assets**

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

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

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

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

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

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

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**1.8. Impairment of non-cash-generating assets (Continued)**

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

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

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

**1.9. Financial instruments**

The Town Council has various types of financial instruments and these can be broadly categorised as financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement.

**Initial Recognition**

Financial assets and financial liabilities are recognised when it becomes party to the contractual provisions of the instrument.

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

**Fair Value Methods and Assumptions**

The fair value of financial instruments are determined as follows:

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



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**1.9. Financial instruments (continued)**

**Classification**

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

<b>Class</b>	<b>Category</b>
Trade receivables from non - exchange transactions	Financial asset measured at amortised cost
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Value added tax receivable	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

Trade and other receivables (excluding value added taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

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

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

<b>Class</b>	<b>Category</b>
Trade payables non - exchange transactions	Financial liability measured at amortised cost
Trade payables exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Long term loans	Financial liability measured at amortised cost

**Initial and subsequent measurement of financial assets and financial liabilities**

**Financial Assets:**

**At Fair Value through Surplus or Deficit**

Financial assets at fair value through surplus and deficit are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in surplus or deficit.

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**1.9. Financial instruments (continued)**

**Financial assets measured at amortised cost**

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

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

**Financial Liabilities:**

**At Amortised Cost**

Any other financial liabilities are classified as other financial liabilities (all payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest-bearing debt including finance lease liabilities, non-interest-bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in surplus or deficit by applying the effective interest rate.

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

Prepayments are carried at cost less any accumulated impairment losses.

**Impairment of Financial Assets:**

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

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**1.9. Financial instruments (continued)**

**Financial Assets at Amortised Cost**

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial asset carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

**De-recognition**

**Financial assets**

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

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

**Financial liabilities**

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

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

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### **1.10. Inventories**

#### **Initial Recognition**

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

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

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

#### **Subsequent Measurement**

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

Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the first in first out (FIFO) Method.

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

##### **Water Inventory**

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

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

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

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**1.10. Inventories (continued)**

**Other Arrangements**

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

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

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

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

**1.11. Provisions and contingencies**

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

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

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**1.11. Provisions and contingencies (continued)**

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

**Decommissioning, restoration and similar liability**

Estimated long-term environmental provisions, comprising rehabilitation and land fill site closure, are based on the Council's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to surplus or deficit.

**Contingent assets and contingent liabilities**

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

**1.12. Employee benefits**

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

**Short-term employee benefits**

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

**Post-employment benefits**

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

**Post-employment benefits: Defined contribution plans**

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

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**1.13. Borrowing costs**

The Council uses the benchmark treatment of borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

**1.14. Related parties**

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

**1.15. Budget information**

The annual budget figures have been prepared in accordance with the IPSAS's and are consistent with the accounting policies adopted by the Council for the preparation of these annual financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the annual financial statements are for the Council and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation.

The approved budget covers the period from 1 July 2020 to 30 June 2021 and 1 July 2021 to 30 June 2022.

**1.16. Investments in associates**

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

**1.17. Unauthorised expenditure**

Unauthorised expenditure means:

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

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**1.18. Net assets**

**Accumulated Surplus**

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

**1.19. Grants-In-Aid**

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

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

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

**1.20. Value Added Tax**

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

**1.21. Material losses**

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. For electricity the unit rate is the rate per the last purchase for the financial year. For water the unit rate is measured based on the weighted average method as defined by IPSAS 12 (Inventories).

**1.22. Events after reporting date**

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



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	<b>2022</b>	<b>2021</b> <b>Restated</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$	N\$
<b>2. Property rates</b>	<b>33 353 915</b>	<b>33 012 756</b>	<b>33 012 756</b>	<b>19 889 362</b>
Residential /other	13 763 582	13 271 875	13 271 875	7 446 188
Commercial	19 575 983	19 719 436	19 719 436	12 443 174
Municipal	14 350	21 445	21 445	-
<b>3. Transfers from other government entities</b>	<b>7 264 650</b>	<b>5 553 963</b>	<b>5 553 963</b>	<b>25 736 525</b>
Road Fund Administration	1 860 480	2 340 000	2 340 000	2 599 571
Government grant	5 404 170	3 213 963	3 213 963	23 136 954
<b>4. Service charges</b>	<b>60 804 532</b>	<b>60 202 327</b>	<b>60 202 327</b>	<b>55 356 188</b>
Sale of water	42 755 622	43 002 499	43 002 499	39 156 210
Sewerage and sanitation charges	6 635 778	6 279 266	6 279 266	5 773 769
Refuse removal	11 413 132	10 920 562	10 920 562	10 426 209
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.				
<b>5. Rental of facilities and equipment</b>	<b>7 210 459</b>	<b>7 252 921</b>	<b>7 252 921</b>	<b>7 127 300</b>
Rental income-amenities	180 212	249 741	249 741	234 920
Premises	6 167 642	6 111 172	6 111 172	5 912 089
Rental of other facilities	53 131	52 421	52 421	85 390
Rental of equipment	809 474	839 587	839 587	894 901
<b>6. Other income</b>	<b>3 308 799</b>	<b>2 134 645</b>	<b>2 134 645</b>	<b>3 092 670</b>
Building plans fees	412 841	423 639	423 639	344 133
Business fitness certificate fees	664 737	620 535	620 535	552 682
Advertising	214 974	192 532	192 532	155 382
Water connection/disconnection	571 412	445 220	445 220	443 236
Fire Brigade: sundry	170 602	161 628	161 628	150 491
Sundries	1 268 476	286 434	286 434	1 086 925
Burial fees	5 757	4 657	4 657	6 496
Fire brigade fees	-	-	-	353 325

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

	<b>2022</b>	<b>2021</b> <b>Restated</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$	N\$
<b>7. Employee related costs</b>	<b>32 350 831</b>	<b>32 746 271</b>	<b>32 746 271</b>	<b>32 906 978</b>
Basic	16 820 592	16 761 430	16 761 430	16 678 404
Bonus	1 385 118	1 378 691	1 378 691	1 337 957
Medical aid-company contributions	3 411 030	3 128 035	3 128 035	2 779 100
Social Security	69 078	69 208	69 208	69 910
Workmen's compensation	72 065	73 862	73 862	79 185
Leave pay provision charge	(44 517)	937 649	937 649	1 683 095
Defined contribution plans	3 826 439	3 578 213	3 578 213	3 589 540
Overtime payments	268 056	343 977	343 977	357 508
Car Allowances	988 659	1 007 249	1 007 249	999 482
Housing benefits and allowances	5 306 789	5 229 035	5 229 035	5 091 255
Other allowances	125 688	125 688	125 688	125 688
Standby	97 800	94 800	94 800	98 200
Volunteer Fire Fighters	24 034	18 434	18 434	17 654
<b>Chief Executive Officer</b>	<b>-</b>	<b>1 154 399</b>	<b>1 154 399</b>	<b>1 154 399</b>
Annual Remuneration	-	548 009	548 009	548 009
Performance Bonuses	-	45 667	45 667	45 667
Contributions to UIF, Medical and Pension Funds	-	224 418	224 418	224 418
Other	-	336 305	336 305	336 305
<b>Other Executives</b>	<b>-</b>	<b>6 939 005</b>	<b>6 939 005</b>	<b>6 939 005</b>
Annual Remuneration	-	3 488 337	3 488 337	3 488 337
Performance Bonuses	-	311 043	311 043	311 043
Contributions to UIF, Medical and Pension Funds	-	1 019 057	1 019 057	1 019 057
Other	-	2 120 568	2 120 568	2 120 568

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

	2022	2021 Restated	2021	2020
	N\$	N\$	N\$	N\$
<b>8. Remuneration of Councillors</b>	<b>483 092</b>	<b>477 495</b>	<b>477 495</b>	<b>467 965</b>
Mayor	89 500	89 500	89 500	89 500
Deputy Mayor	76 951	76 951	76 951	76 951
Ordinary Councillors	316 641	311 044	311 044	301 514

**In-kind benefits**

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties, and another Council's vehicle which also may be used by the Deputy Mayor when representing the Mayor.

<b>9. Depreciation and Amortisation expense</b>	<b>22 174 352</b>	<b>21 251 614</b>
Property, Plant and Equipment	21 852 443	20 929 705
Investment property	321 909	321 909

**10. Operating surplus (deficit)**

Operating surplus (deficit) for the year is stated after accounting for the following:

Depreciation on property, plant and equipment	21 852 441	21 251 614
Depreciation on investment property	321 909	-
Employee costs	32 833 923	33 223 766

<b>11. Cash and cash equivalents</b>	<b>64 474 779</b>	<b>60 821 995</b>	<b>60 821 995</b>	<b>69 459 842</b>
Cash on hand	460	460	460	460
Bank balances	1 078 087	5 101 268	5 101 268	15 347 586
Short-term deposits	63 396 232	55 720 267	55 720 267	54 111 796

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts (when applicable).

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**30 JUNE**

	2022	2021 Restated	2021	2020
	N\$	N\$	N\$	N\$
<b>11. Cash and cash equivalents (continued)</b>				
No other restrictions have been imposed on the Council in terms of the utilisation of its cash and cash equivalents.				
<b>12. General expenses</b>				
	<b>31 026 643</b>	<b>21 564 558</b>	<b>21 564 558</b>	<b>20 288 080</b>
Advertising	195 858	92 680	92 680	221 184
Auditors remuneration	-	-	-	34 800
Bank charges	827 487	647 417	647 417	489 293
Catering and entertainment	201 408	71 646	71 646	85 806
Cleaning	77 809	141 215	141 215	9 357
Consulting and professional fees	257 869	525 824	525 824	1 370 685
Crops field compensation	1 927 633	3 460 793	3 460 793	1 751 233
Cost of sold erven	11 158 000	-	-	-
Donations	-	-	-	12 275
Electricity	5 685 295	5 180 030	5 180 030	4 965 374
Hire	-	13 500	13 500	111 966
Insurance	847 259	796 415	796 415	803 258
Land Survey	146 724	1 025 567	1 025 567	1 040 382
IT expenses	-	-	-	8 825
5% Contribution to Regional Council	1 437 835	1 671 835	1 671 835	2 008 650
Magazines, books and periodicals	-	13 200	13 200	-
Materials and stores	1 039 907	786 103	786 103	1 180 284
Medical expenses	32 988	27 055	27 055	-
Motor vehicle expenses	1 081 991	961 609	961 609	1 054 903
Other expenses	158 928	407 252	407 252	665 657
Postage and courier	466 059	474 955	474 955	409 555
Printing and stationery	413 532	311 015	311 015	302 819
Promotional materials	368 699	132 495	132 495	-
Protective clothing	83 015	158 623	158 623	24 895
Refuse bins	-	425 043	425 043	387 304

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**30 JUNE**

	2022	2021 Restated	2021	2020
	N\$	N\$	N\$	N\$
<b>12. General expenses (Continued)</b>				
Security (guarding of municipal property)	2 219 078	2 791 936	2 791 936	2 024 718
Staff welfare	502 247	369 090	369 090	24 392
Subscription and membership fees	58 700	58 905	58 905	58 900
Telephone and fax	507 885	372 273	372 273	262 818
Training	107 239	253 093	253 093	57 422
Travel- local	311 208	394 989	394 989	408 925
Valuation charges	911 990	-	-	512 400

**13. Receivables from exchange transactions**

	<b>26 025 160</b>	<b>25 075 670</b>	<b>25 075 670</b>	<b>20 389 633</b>
Trade debtors	22 268 828	21 318 133	84 345 578	64 180 224
Less: Provision for doubtful debts	-	-	(63 027 445)	(47 395)
Accruals	594 635	620 793	620 793	574 950
Housing debtors	3 161 697	3 136 744	3 136 744	3 030 150

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

Council did not pledge any of its receivables as security for borrowing purposes.

**Allowance for Impairment:**

At 30 June 2022 receivables from exchange transactions of N\$ 75 022 993 (2021: N\$ 63 027 445) were impaired and fully provided for.

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**30 JUNE**

	<b>2022</b>	<b>2021</b> <b>Restated</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$	N\$
<b>14. Inventory</b>	<b>53 995 391</b>	<b>54 583 391</b>	<b>983 391</b>	<b>983 391</b>
Erven	53 012 000	53 600 000	-	-
Consumables	983 391	983 391	983 391	983 391

Inventories are held for own use and measured at the lower of cost and current replacement cost. No write downs of inventory to net realisable value were required.

No Inventories have been pledged as collateral for liabilities of the Town Council.

**15. Payables from exchange transactions**

	<b>12 795 087</b>	<b>19 523 291</b>	<b>19 523 291</b>	<b>20 089 974</b>
Trade payables	2 775 000	10 829 993	10 829 993	12 041 940
Leave provision	5 838 282	6 015 758	6 015 758	5 468 037
Income received in advance	-	-	-	1 647 050
Deposit on Sales of Erven	4 181 805	2 677 540	2 677 540	932 947

**Staff Leave:**

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

**16. Consumer deposits**

Water	3 985 092	3 597 303	3 597 303	3 253 770
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**30 JUNE**

	<b>2022</b>	<b>2021</b> <b>Restated</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$	N\$
<b>17. Long term loans</b>				
<b>At amortised cost</b>				
First capital	7 310 442	10 177 125	10 177 125	12 635 216
The loan is over a period of 10 years at interest rate of prime rate minus 1%.				
<b>Non-current liabilities</b>				
At amortised cost	4 303 052	7 301 840	7 301 840	10 216 586
<b>Current liabilities</b>				
At amortised cost	3 007 390	2 875 285	2 875 285	2 418 630
<b>18. Payables from Non-exchange Transactions</b>	<b>216 907</b>	<b>216 907</b>		
Advance receipts - Transfers	8 733	8 733		
Unallocated receipts	208 174	208 174		

Suspense accounts are in respect of temporary advances received in the normal month-to-month operations of the town council, not settled at year-end.

ANNEXURE H

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

19. Property, plant and equipment

	2022		2021 (Restated)			
	Deemed/Actual cost N\$	Accumulated depreciation and impairment N\$	Carrying Value N\$	Deemed/Actual cost N\$	Accumulated depreciation and impairment N\$	Carrying Value N\$
Buildings	47 414 100	(1 934 669)	45 479 431	47 410 504	(1 174 310)	46 236 194
Plant and Equipment	18 427 512	(8 768 028)	9 659 484	18 292 512	(7 397 358)	10 895 154
Motor vehicles	5 366 132	(3 426 141)	1 939 991	5 366 132	(2 891 211)	2 474 921
Office equipment	1 961 514	(1 166 776)	794 738	1 668 465	(999 368)	669 097
IT equipment	1 332 304	(948 247)	384 057	1 254 313	(757 960)	496 353
Infrastructure	279 078 050	(70 928 330)	208 149 720	269 304 327	(52 099 541)	217 204 786
Asset under construction	60 760 502	-	60 760 502	37 186 598	-	37 186 598
<b>Total</b>	<b>414 340 114</b>	<b>(87 172 191)</b>	<b>327 167 923</b>	<b>380 482 851</b>	<b>(65 319 748)</b>	<b>315 163 103</b>



**TOWN COUNCIL OF ONDANGWA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

**19. Property, plant and equipment (Continued)**

	2021		2020	
	N\$	N\$	N\$	N\$
	Cost/Valuation	Accumulated depreciation and impairment	Carrying Value	Cost/Valuation
	N\$	N\$	N\$	N\$
Buildings	65 342 395	(26 067 078)	39 275 317	61 351 736
Plant and Equipment	13 919 834	(9 046 317)	4 873 517	12 879 639
Motor vehicles	8 096 545	(4 860 844)	3 235 701	8 096 546
Office equipment	731 937	(622 479)	109 458	644 932
IT equipment	1 928 700	(1 588 727)	339 973	1 928 700
Infrastructure	344 193 189	(157 863 160)	186 330 029	316 627 616
<b>Total</b>	<b>434 212 600</b>	<b>(200 048 605)</b>	<b>234 163 995</b>	<b>401 529 169</b>
				<b>(179 515 211)</b>
				<b>222 013 958</b>

## ANNEXURE B

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

**19. Property, plant and equipment (Continued)**

**Reconciliation of property plant and equipment 2022**

	Opening balance N\$	Additions N\$	Transfers/Disposals	Other changes/movements N\$	Depreciation N\$	Total N\$
Buildings	46 236 194	3 596	-	-	(760 359)	45 479 431
Plant and machinery	10 895 154	135 000	-	-	(1 370 670)	9 659 484
Motor vehicles	2 474 921	-	-	-	(534 930)	1 939 991
Office equipment	669 097	293 049	-	-	(167 408)	794 738
IT equipment	496 353	77 991	-	-	(190 287)	384 057
Infrastructure	217 204 786	-	9 773 723	-	(18 828 789)	208 149 720
Asset under construction	37 186 598	33 347 627	(9 773 723)	-	-	60 760 502
<b>Total</b>	<b>315 163 103</b>	<b>33 857 263</b>	-	-	<b>(21 852 443)</b>	<b>327 167 923</b>

**Reconciliation of property plant and equipment 2021 (restated)**

	Opening balance N\$	Additions N\$	Transfers/Disposals	Other changes/movements N\$	Depreciation N\$	Total N\$
Buildings	35 284 658	-	-	11 711 895	(760 359)	46 236 194
Plant and machinery	5 137 677	1 086 867	-	6 002 411	(1 331 801)	10 895 154
Motor vehicles	3 770 631	-	-	(760 780)	(534 930)	2 474 921
Office equipment	183 858	86 840	-	558 420	(160 021)	669 097
IT equipment	476 236	89 364	-	101 138	(170 385)	496 353
Infrastructure	177 160 898	-	21 658 844	36 357 253	(17 972 209)	217 204 786
Asset under construction	-	31 505 855	(21 658 844)	27 339 587	-	37 186 598
<b>Total</b>	<b>222 013 958</b>	<b>32 768 926</b>	-	<b>81 309 924</b>	<b>(20 929 705)</b>	<b>315 163 103</b>

**TOWN COUNCIL OF ONDANGWA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

**19. Property, plant and equipment (Continued)**

**Reconciliation of property plant and equipment 2021**

	Opening balance N\$	Difference/Adjustment	Additions N\$	Depreciation N\$	Total N\$
Buildings	35 284 658	-	3 990 659	-	39 275 317
Plant and machinery	5 137 677	-	1 040 195	(1 304 355)	4 873 517
Motor vehicles	3 770 631	-	-	(534 930)	3 235 701
Office equipment	183 858	-	87 005	(161 405)	109 458
IT equipment	476 236	-	-	(136 263)	339 973
Infrastructure	177 160 898	831 753	27 565 573	(19 228 195)	186 330 029
<b>Total</b>	<b>222 013 958</b>	<b>831 753</b>	<b>32 683 432</b>	<b>(21 365 148)</b>	<b>234 163 995</b>

**Reconciliation of property plant and equipment 2020**

	Opening balance N\$	Difference/Adjustment	Additions N\$	Depreciation N\$	Total N\$
Buildings	27 306 805	-	10 330 699	(2 352 846)	35 284 658
Plant and machinery	5 182 305	-	1 001 304	(1 045 932)	5 137 677
Motor vehicles	3 712 902	-	747 190	(689 461)	3 770 631
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
<b>Total</b>	<b>205 565 149</b>	<b>-</b>	<b>36 713 846</b>	<b>(20 265 037)</b>	<b>222 013 958</b>

**TOWN COUNCIL OF ONDANGWA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

**20. Investment Property**

	2022			2021		
	Deemed cost/Actual cost	Accumulated depreciation and impairment	Carrying Value	Deemed cost/Actual cost	Accumulated depreciation and impairment	Carrying Value
Investment Property	836 467 100	(965 728)	835 501 372	847 037 100	(643 819)	846 393 281
<b>Total</b>	<b>836 467 100</b>	<b>(965 728)</b>	<b>835 501 372</b>	<b>847 037 100</b>	<b>(643 819)</b>	<b>846 393 281</b>

**Reconciliation of Investment property 2022**

	Opening balance	Additions	Transfers/Disposals	Other changes/movements	Depreciation	Total
Investment property	846 393 281	-	(10 570 000)	-	(321 909)	835 501 372
<b>Total</b>	<b>846 393 281</b>	<b>-</b>	<b>(10 570 000)</b>	<b>-</b>	<b>(321 909)</b>	<b>835 501 372</b>

**Reconciliation of Investment property 2021**

	Opening balance	Additions	Transfers/Disposals	Other changes/movements	Depreciation	Total
Investment property	-	-	-	846 715 190	(321 909)	846 393 281
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>846 715 190</b>	<b>(321 909)</b>	<b>846 393 281</b>

## TOWN COUNCIL OF ONDANGWA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**20. Investment Property (continued)**

All of the Council's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the Council.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

**Investment Property carried at Fair Value**

The Council's investment properties are accounted for according to the cost model and therefore no fair value has been determined.

**Impairment of Investment Property**

No impairment losses have been recognised on investment property of the Council at the reporting date.

**21. Related parties**

All related party transactions are conducted at arm's length, unless stated otherwise

**Related party balances:**

Amounts included in trade receivable (trade payable) regarding related parties

	<b>2022</b>	<b>2021</b>
	<b>N\$</b>	<b>Restated</b>
	<b>N\$</b>	<b>N\$</b>
NORED	594 635	620 793

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

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**21. Related parties (continued)**

**Related party transactions:**

**Purchases from (sales to) related parties**

	<b>2022</b>	<b>2021</b>
	<b>N\$</b>	<b>Restated</b>
	<b>N\$</b>	<b>N\$</b>
NORED	5 685 295	5 180 031

The services rendered to or received from related parties are charged at approved tariffs that were advertised to the public.

No bad debts were written off or recognised in respect of amounts owed by related parties.

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

**Loans granted to Related Parties**

Town Council does not grant loans to its Councillors and staff.

**Compensation of Related Parties**

Compensation of key management personnel and Councillors is set out in Notes 7&8 to the annual financial statements.

**Purchases from Related Parties**

Town Council did not buy goods from any companies which can be considered to be related parties.

## TOWN COUNCIL OF ONDANGWA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**22. Prior period errors**

Council completed the fixed asset register which resulted in restatement of comparative for the year. A retrospective restatement resulted in the following adjustment of property, plant and equipment, investment property and inventory balances.

	<b>2022</b>	<b>2021</b>
	N\$	<b>Restated</b>
		N\$
<b>Statement of financial position</b>		
Property, plant and equipment	-	81 309 924
Investment property	-	846 715 190
Inventory	-	53 600 000
Opening accumulated surplus/deficit	-	(981 625 114)
<b>Statement of financial performance</b>		
Depreciation expense	-	718 220

The comparative figures were restated as a result of the effect of prior period errors (Note 22).

**23. Going concern**

Management considered the following matters relating to the going concern:

- i. Strict daily cash management processes are embedded in the Council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the budget.
- ii. As the Town Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- iii. The Town Council of Ondangwa is one of a big council in northern Namibia and it is in public interest that the Council remains solvent and continues as an ongoing concern.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis.

**24. Events after the reporting date**

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

