



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Published by authority
Price (Vat excluded): N\$ 86.00
Report no: 83/2024

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Ondangwa for the financial year ended 30 June 2023 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act No 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, October 2024

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

Handwritten scribble or mark, possibly a signature or initials.

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

SECTION A: FINANCIAL AUDIT

1. ADVERSE AUDIT OPINION

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

Because of the significance of matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Ondangwa for the financial year ended 30 June 2023 and its financial performance and their cash flow for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE AUDIT OPINION

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

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

2.1. RESERVES

As previously reported in the 2021 and 2022 financial years, the Council once again disclosed other reserves to the value of N\$ 15 155 691 related to the build together housing fund.

This account does not meet the definition of equity as per IPSAS 1, which states, "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 qualify as equity and the reserve disclosed by the Council is not part of the types of reserves listed by the standard.

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

2.2. ACCOUNTING POLICIES

The Council indicated in its previous year's 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.)."

This policy was however removed in the current financial year and no appropriate disclosure were made in accordance with IPSAS 3: Accounting policies, Changes in accounting estimates and errors.

The audit could therefore not determine if the bulk water purchases amount of N\$ 22 435 271 was correctly expensed in the financial statements.

The Council is recommended to ensure that it complies with IPSAS 3: paragraph 17 that states "*an entity shall change an accounting policy only if the change: (a) is required by an IPSAS; or (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.*" The Council should also make the appropriate disclosures as required by the standard.

2.3. PROVISION FOR THE DUMPSITE

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

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.

2.4. INVESTMENT IN NORED

As previously reported in the 2021 and 2022 financial years, the Council once again did not disclose its investment in NORED in the current year.

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

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

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

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

- The financial statements for the financial year ended 30 June 2023 were not submitted in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).
- The Council implemented a new Subsistence and Travelling Allowance Policy which is effective September 2022. However, the Council did not seek endorsement from the Minister, which is not in compliance with the Local Authority Act (Act 23 of 1992), paragraph 18(2), which states *“that any remuneration, allowances, or other benefits provided by a Council must not exceed those determined by the Minister”*.

Furthermore this is not in compliance with Section 15 (1) of the Council's personnel rules (No. 4345 of 2009) which states that: *“where the Council requires or directs a staff member to travel on official business outside the borders of the local authority area, the Council must pay to that staff member a subsistence and travelling allowance at the daily rate in accordance with the Central Government Policy Position (Performance Management System Circular No. 13 of 2003 or any other latest circular)”*.

The Council paid a total of N\$ 1 232 062 in travelling and accommodation from September 2022 to June 2023. Refer to Annexure L for details.

SECTION B: AUDIT OF KEY PERFORMANCE INFORMATION

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

1. DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE

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

The primary function of the PMS is to enable the 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 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 2022 to 2028 and this comprised documentation review and interviews with senior and top management.

5. KEY AUDIT FINDINGS

5.1. STRATEGIC AND ANNUAL PLAN AND REPORTING

It was observed that the Council has a Strategic plan encompassing the period 2023, however, it was only launched in July 2023. Furthermore, the Council drafted an Annual Plan for the 2022/23 period.

In terms of the Councils Performance Management System, the Council only approved the implementation of its Performance Management Policy in September 2023 and consequently no Annual Report or Annual Plan review report was compiled.

Review of these documents and other relevant supporting documents in terms of the above criteria yielded the following results:

Criteria	Outcome
Sub-criterion: Relevance	The strategic objectives are relevant to the Mandate of the Council and aligned to National Planning Documents.
Sub-criterion: Consistency	The KPI's in the annual plan were aligned to the strategic plan, however the annual plan was developed on a departmental level and no consolidated annual plan was drafted. Twenty-two (22) KPIs were selected on the annual plan for further testing based on the alignment to the strategic plan.
Sub-criterion: Measurability	Could not be ascertained due to non-submission of documents for Twelve (12) out of Twenty-two (22) Key Performance Indicators (or 55% of total KPIs).
Reliability	Could not be ascertained due to non-submission of documents for Twelve (12) out of Twenty-two (22) Key Performance Indicators (or 55% of total KPIs).

5.2. PERFORMANCE AGREEMENTS

No individual performance agreements were drafted and finalized for the year.

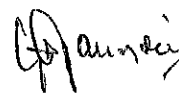
6. CONCLUSION ON SUBJECT MATTER

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.

8. ACKNOWLEDGEMENTS

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

WINDHOEK, October 2024



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

Country of incorporation and domicile	Namibia
Legal form of entity	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
Nature of business and principal activities	Principal activities of Town Council of Ondangwa are: <ol style="list-style-type: none"> 1. Provide its residents with equitable municipal services; 2. Ensure sustainable service delivery to all its inhabitants; 3. Promote social and economic development within the municipal area,
Council Mayor	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
Grading of local authority	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
Chief Executive Officer	Ishmael Namgongo
Management team	Malakia Lihongeni (Snr Manager: Finance)
Registered office	Ondangwa Main Road
Postal address	Private Bag 2032 Ondangwa Namibia
Auditors	Auditor General

TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

The annual financial statements which have been prepared on the going concern basis, were approved by the Council on 02 April 2024 and were signed on its behalf by:

Ismael Ileni Namgongo
Chief Executive Officer

Malakia Lihongeni
Senior Manager: Finance

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

		2023	2022
	Note	N\$	Restated* N\$
ASSETS			
Current assets			
Cash and cash equivalents	12	780 391 703	144 495 330
VAT receivable	13	50 284 163	64 474 779
Receivables from exchange transactions	14	2 067 501	-
Inventories	15	19 325 943	26 025 160
		708 714 096	53 995 391
Non-current assets			
Property, plant and equipment	20	769 188 932	1 162 669 295
Investment property	21	763 328 408	327 167 923
		5 860 524	835 501 372
Total assets		1 549 580 635	1 307 164 625
LIABILITIES			
Current liabilities			
Consumer deposits	17	26 669 430	20 554 568
Payables from exchange transactions	16	4 246 188	3 985 092
Payables from non-exchange transactions	19	19 284 262	12 795 087
VAT payable		-	216 907
Other financial liabilities	18	-	550 092
		3 138 980	3 007 390
Non-current liabilities			
Other financial liabilities	18	1 279 643	4 303 052
		1 279 643	4 303 052
Total Liabilities		27 949 073	24 857 620
Net Assets		1 521 631 562	1 282 307 005
NET ASSETS/EQUITY			
Reserves		15 155 691	239 982 740
Accumulated surplus		1 506 475 871	1 042 324 265
Total net assets/equity		1 549 580 635	1 282 307 005

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

		2023	2022 Restated*
	Note	N\$	N\$
REVENUE			
Revenue from non-exchange transactions		37 445 573	40 618 565
Property rates	2	34 882 366	33 353 915
Transfers from other government entities	3	2 563 207	7 264 650
Revenue from exchange transactions		93 813 237	96 928 039
Service charges	4	63 077 234	60 804 532
Sale of erven		4 859 137	8 326 542
Surcharges and interest		3 530 282	3 390 163
Rental of facilities and equipment	5	6 892 770	7 210 459
Interest received		10 135 633	12 395 756
Licences and permits		10 648	19 367
Other revenue	6	3 213 213	3 308 799
Interest received on investment		2 094 320	1 472 421
Total Revenue		131 258 810	137 546 604
EXPENSES			
		132 021 194	124 083 192
Bulk purchases	7	22 435 271	20 528 701
Employee costs	8	34 408 410	32 350 831
Remuneration of Councillors	9	^a 477 495	^b 483 092
Depreciation and amortisation expense	10	23 949 026	^c 22 174 350
Repairs and maintenance		2 634 744	1 741 209
Contracted services		6 120 788	3 189 323
Debt impairment	14	6 818 135	11 995 548
General expenses	11	34 608 966	31 026 643
Interest paid		568 359	593 495
Surplus for the period		(762 384)	13 463 412

^a Different from Note 9 with an amount of N\$ 5 597 (N\$ 477 495 – N\$ 483 092)

^b Different from Note 9 with an amount of N\$ 5 597 (N\$ 483 092 - N\$ 477 495)

^c Different from Note 10 with an amount of N\$ 922 736 (N\$ 22 174 350- N\$ 21 251 614)

ANNEXURE C

TOWN COUNCIL OF ONDANGWA
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Other Reserves	Accumulated surplus/deficit	Total net assets/equity
	N\$	N\$	N\$
Balance at 01 July 2021	239 703 969	1 028 860 854	1 268 564 823
Changes in net assets/equity			
Surplus for the year	-	13 463 412	13 463 412
Direct adjustments to net assets	278 771	-	278 771
Total changes	278 771	13 463 412	13 742 183
Opening balance as previously reported	239 982 740	1 042 324 266	1 282 307 006
Adjustments			
Prior year adjustments	-	240 168 611	240 168 611
Restated* balance at 01 July 2022 restated*	239 982 740	1 282 492 877	1 522 475 617
Changes in net assets/equity			
Surplus for the year	-	(762 384)	(762 384)
Direct adjustments to net assets	(81 671)	-	(81 671)
Reclassification of unfunded reserves	(224 745 378)	224 745 378	-
Total changes	(224 827 049)	223 982 994	(844 055)
Net assets as at 30 June 2023	15 155 691	1 506 475 871	1 521 631 562

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

		2023	2022
	Note	N\$	Restated* N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus/ (deficit) for the year:		(762 384)	13 463 412
Adjustments for:			
Depreciation and amortisation expense		23 949 026	22 174 350
Debt impairment		6 818 135	11 995 548
Direct adjustment to net assets and prior year errors (cash)		90 953 094	147 777
Changes in working capital			
Inventories		(86 661 860)	588 000
Receivables from exchange transactions		6 699 217	(949 490)
Debt impairment		(6 818 135)	(11 995 548)
Payables from exchange transactions		6 489 172	(6 728 205)
VAT Receivables		(2 617 593)	723 097
Taxes and transfers payables (non-exchange)		(216 907)	-
Consumer deposits		261 096	387 789
Net Cash flows from operating activities		38 092 861	29 806 730
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	20	(49 391 658)	(33 857 263)
Proceeds from sales of investment property	21	-	10 570 000
Net cash flow from investing activities		(49 391 658)	(23 287 263)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loans		(2 891 819)	(2 866 683)
Net cash flow from financing activities		(2 891 819)	(2 866 683)
Net increase/(decrease) in cash and cash equivalents		(14 190 616)	3 652 784
Cash and cash equivalents at the beginning of the period		64 474 779	60 821 995
Cash and cash equivalents at the end of the period	12	50 284 163	64 474 779

ANNEXURE E

**TOWN COUNCIL OF ONDANGWA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	
Statement of Financial Performance				
Revenue				
Revenue from non-exchange transactions				
Property rates	34 221 445	34 882 366	660 921	
Transfers from other government entities	3 252 100	2 563 207	(688 893)	1
Total revenue from non-exchange transactions	37 473 545	37 445 573	(27 972)	
Revenue from exchange transactions				
Service charges	62 372 900	63 077 234	704 334	
Rendering of services	15 264 200	4 859 137	(10 405 063)	2
Royalty income	3 500 000	3 530 282	30 282	
Rental of facilities and equipment	7 383 134	6 892 770	(490 364)	
Interest received (trading)	12 727 893	10 135 633	(2 592 260)	3
Licences and permits	21 000	10 648	(10 352)	
Other income	3 540 200	3 213 213	(326 987)	
Interest received- Investment	1 600 000	2 094 320	494 320	4
Total revenue from exchange transactions	106 409 327	93 813 237	(12 596 090)	
Total revenue	143 882 872	131 258 810	(12 624 062)	

ANNEXURE E

**TOWN COUNCIL OF ONDANGWA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023
(CONTINUED)**

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure	NS	NS	NS	
Bulk purchases	(22 200 000)	(22 435 271)	(235 271)	
Employee costs	(34 492 924)	(34 408 410)	84 514	
Remuneration of Councillors	(483 086)	(477 495)	5 591	
Depreciation & amortization expense	(21 000 000)	(23 949 026)	(2 949 026)	5
Repairs and maintenance	(4 230 000)	(2 634 744)	1 595 256	6
Contracted services	(3 588 000)	(6 120 788)	(2 532 788)	7
Debt impairment	(8 689 571)	(6 818 135)	1 871 436	8
General expenses	(26 865 336)	(34 608 966)	(7 743 630)	7
Interest paid	(1 153 392)	(568 359)	585 033	9
Total expenditure	(122 702 309)	(132 021 194)	(9 318 885)	
Surplus/(deficit) for the year	21 180 563	(762 384)	(21 942 947)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21 180 563	(762 384)	(21 942 947)	

**TOWN COUNCIL OF ONDANGWA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023
(CONTINUED)**

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.

1. Council received less 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. Sales of land was below then estimated because payment extensions due to economic difficulties.
3. Interest received (trading) was over budgeted.
4. The increase in repo rate caused favourable variance compared to budget.
5. The depreciation was under budgeted compared the increase in depreciable assets.
6. The expenditure were over budgeted.
7. The expenditure were under budgeted.
8. Debt impairment was over budgeted as high default rate was expected.
9. No additional was taken and continued decrease in capital of the existing loan caused favourable variance.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1. Presentation of Annual Financial Statements

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

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

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

The financial statements have been prepared in accordance and in compliance with accrual basis International Public Sector Accounting Standards (IPSASs). The financial statements have been prepared using the historical accounting basis.

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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

In making their judgement, the management considered the detailed criteria for the recognition of revenue 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.

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

As described in Accounting Policies 1.4 and 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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.1 Significant judgements and sources of estimation uncertainty (Continued)

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 15, 20, and 21 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.

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.2 Revenue from non-exchange transactions (continued)

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.3. Revenue from exchange transactions

Sale of goods (including Houses)

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

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

Service charges

Service charges are levied in terms of the approved tariffs.

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

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

Service charges relating to sewerage 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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

**1.3 Revenue from exchange transactions
(Continued)**

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. anon-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent measurement

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

Depreciation

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

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

Item	Average useful life
Buildings	
• Improvement	10-50
Infrastructure	
• Roads and storm water	8-80
• Sanitation	10-90
• Solid waste	5-80
• Water	10-90

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.4. Property, plant and equipment (Continued)

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.

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 year. 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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.9. Financial instruments (continued)

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.

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:

Class	Category
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:

Class	Category
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

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.9. Financial instruments (continued)

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

At Fair Value through Surplus or Deficit

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

Financial assets measured at amortised cost

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

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.9. Financial instruments (continued)

Impairment of Financial Assets:

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

Financial Assets at Amortised Cost

A provision for impairment of accounts receivables is established when there is objective evidence that the 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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.9. Financial instruments (continued)

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.

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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.

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

1.13. 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 Council prepares its budget on cash basis of that income is equal to expenses projected from prior year actual income and expenditures..

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

1.16. Investments in associates

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

**TOWN COUNCIL OF ONDANGWA
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023
ACCOUNTING POLICIES**

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.

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. Events after reporting date

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

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

	2023	2022
	N\$	N\$
2. Property rates	34 882 366	33 353 915
Other	14 885 812	13 763 582
Commercial	19 996 554	19 575 983
Municipal	-	14 350
3. Transfers from other government entities	2 563 207	7 264 650
Road Fund Administration	1 953 703	1 860 480
Government grant	609 504	5 404 170
4. Service charges	63 077 234	60 804 532
Sale of water	44 871 755	42 755 622
Sewerage and sanitation charges	6 920 487	6 635 778
Refuse removal	11 714 566	11 413 132
Departmental charges	(429 574)	-
<p>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.</p>		
5. Rental of facilities and equipment	6 892 770	7 210 459
Rental income-amenities	116 043	180 212
Premises	5 872 324	6 167 642
Rental of other facilities	41 289	53 131
Rental of equipment	863 114	809 474
6. Other income	3 213 213	3 308 799
Building plans fees	459 849	412 841
Business fitness certificate fees	556 501	664 737
Advertising	208 506	214 974
Water connection/disconnection	331 224	571 412
Fire Brigade: sundry	177 899	170 602
Sundries	1 321 138	1 268 476
Burial fees	5 760	5 757
Commission	152 336	-

TOWN COUNCIL OF ONDANGWA

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

	2023	2022
	N\$	N\$
7. Bulk purchases	22 435 271	20 528 701
Bulk Purchases are the cost of commodities not generated by the town council, which the council distributes in the municipal area for resale to the consumers. Bulk Water is purchased from NamWater.		
8. Employee related costs	34 408 410	32 350 831
Basic	17 368 387	16 820 592
Bonus	1 446 590	1 385 118
Medical aid-company contributions	3 812 042	3 411 030
Social Security	70 313	69 078
Workmen's compensation	84 126	72 065
Leave pay provision charge	914 419	(44 517)
Defined contribution plans	3 675 590	3 826 439
Overtime payments	11 913	268 056
Car Allowances	2 330 393	988 659
Housing benefits and allowances	4 441 750	5 306 789
Other allowances	122 988	125 688
Standby	109 800	97 800
Volunteer Fire Fighters	20 099	24 034
Chief Executive Officer	1 201 424	-
Annual remuneration	559 174	-
Car allowance	102 701	-
Performance bonuses	46 598	-
Medical contribution	132 569	-
Housing subsidy	223 669	-
Pension contribution	121 341	-
Telephone allowance & social security contribution	15 372	-
Other Executives	3 601 807	-
Annual remuneration	1 754 977	-
Car allowance	357 264	-
Performance bonuses	146 248	-
Medical contribution	218 209	-
Housing subsidy	701 990	-
Pension contribution	380 831	-
Telephone allowance & social security contribution	42 288	-

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

	2023	2022
	N\$	N\$
9. Remuneration of Councillors	483 092	477 495
Mayor	89 500	89 500
Deputy Mayor	76 951	76 951
Speaker	316 641	311 044*

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.

10. Depreciation and Amortisation expense

Property, plant and equipment	23 720 757	^a 20 929 705
Investment property	228 269	321 909

11. General expenses

Advertising	325 286	195 858
Bank charges	956 602	827 487
Catering and entertainment	198 357	201 408
Cleaning	102 566	77 809
Consulting and professional fees	727 290	257 869
Crops field compensation	3 265 119	1 927 633
Cost of sold erven	8 725 842	11 158 000
Donations	72 343	-
Electricity	6 197 945	5 685 295
Insurance	925 110	847 259
Land Survey	554 315	146 724
Levies - 5% Regional Council	1 780 855	1 437 835
Materials and stores	1 423 534	1 039 907
Medical expenses	162 490	32 988
Motor vehicle expenses	1 530 394	1 081 991
Other expenses	1 714 946	158 928
Postage and courier	236 001	466 059

*Different from prior year's audited financial statements with an amount of N\$ 5 597
(N\$ 316 641 – N\$ 311 044)

^a Different from prior year's audited financial statements with an amount of N\$ 922 738 (N\$ 20 929 705 – N\$ 21 852 443).

TOWN COUNCIL OF ONDANGWA

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

	2023	2022
	N\$	N\$
11. General expenses (continued)		
Printing and stationery	157 232	413 532
Promotional materials	158 462	368 699
Protective clothing	-	83 015
Refuse bins	434 139	-
Security	2 147 892	2 219 078
Staff welfare	213 359	502 247
Subscription and membership fees	55 016	58 700
Telephone and fax	458 660	507 885
Training	381 199	107 239
Travel- local	1 293 831	311 208
Valuation charges	410 181	911 990
12. Cash and cash equivalents	50 284 163	64 474 779
Cash on hand	460	460
Bank balances	9 867 784	1 078 087
Short-term deposits	40 415 919	63 396 232

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).

No other restrictions have been imposed on the Council in terms of the utilisation of its cash and cash equivalents.

13. VAT receivable

VAT	2 067 501	-
-----	-----------	---

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

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

14. Receivables from exchange transactions

	19 325 943	26 025 160
Trade debtors	15 620 642	22 268 828
Accruals	656 407	594 635
Namibia Training Authority recoverable expense	174 458	-
Housing debtors	2 874 436	3 161 697

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

14. Receivables from exchange transactions (continued)

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 2023 receivables from exchange transactions of N\$ 80 966 129 (2022: N\$ 75 022 993) were impaired and fully provided for. The Council provides for all debts at 120+ days.

	2023	2022
	N\$	N\$
15. Inventory	708 714 096	53 995 391
Erven	706 845 481	53 012 000
Maintenance materials	1 868 615	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.

16. Payables from exchange transactions	19 284 262	12 795 087
Trade payables	5 598 126	2 775 000
Leave provision	5 764 072	5 838 282
Income received in advance	3 001 034	-
Deposit on sales of erven	3 207 375	4 181 805
Retention	1 713 655	-

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.

TOWN COUNCIL OF ONDANGWA

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

	<u>2023</u>	<u>2022</u>
	N\$	N\$
17. Consumer deposits		
Water	4 246 188	3 985 092
<p>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.</p> <p>No interest is paid on consumer deposits held.</p>		
18. Long term loans		
At amortised cost		
First capital	4 418 623	7 310 442
The loan is over a period of 10 year at interest rate of prime rate minus 1%.		
Non-current liabilities		
At amortised cost	1 279 643	4 303 052
Current liabilities		
At amortised cost	3 138 980	3 007 390
19. Payables from Non-exchange Transactions	-	216 907
Advance receipts - Transfers	-	8 733
Unallocated receipts	-	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 YEAR ENDED 30 JUNE

20. Property, plant and equipment

	2023				2022			
	Cost/ Valuation N\$	Accumulated depreciation and impairment N\$	Carrying Value N\$	Cost/ Valuation N\$	Accumulated depreciation and impairment N\$	Carrying Value N\$	Cost/ Valuation N\$	Accumulated depreciation and impairment N\$
Land	421 151 554	-	421 151 554	-	-	-	-	-
Buildings	36 963 404	(3 039 400)	33 924 004	47 414 100	(1 934 669)	45 479 431	47 414 100	(1 934 669)
Plant and equipment	18 539 497	(10 158 657)	8 380 840	18 427 512	(8 768 028)	9 659 484	18 427 512	(8 768 028)
Motor vehicles	5 366 132	(3 961 070)	1 405 062	5 366 132	(3 426 141)	1 939 991	5 366 132	(3 426 141)
Office equipment	1 961 513	(1 353 311)	608 202	1 961 513	(1 166 775)	794 738	1 961 513	(1 166 775)
IT equipment	2 553 175	(1 271 721)	1 281 454	1 332 303	(948 246)	384 057	1 332 303	(948 246)
Infrastructure	311 126 251	(91 276 761)	219 849 490	279 078 050	(70 928 330)	208 149 720	279 078 050	(70 928 330)
Asset under construction	76 727 802	-	76 727 802	60 760 502	-	60 760 502	60 760 502	-
Total	874 389 328	(111 060 920)	763 328 408	414 340 112	(87 172 189)	327 167 923	414 340 112	(87 172 189)

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

20. Property, plant and equipment (continued)

Reconciliation of property plant and equipment-2023

	Opening balance	Additions	Transfers	Other changes/movements	Depreciation	Total
	N\$	N\$		N\$	N\$	N\$
Land	-	-	185 552 000	235 599 554	-	421 151 554
Buildings	45 479 431	-	(12 683 170)	2 064 500	(936 757)	33 924 004
Plant and machinery	9 659 484	98 531	13 455	-	(1 390 630)	8 380 840
Motor vehicles	1 939 991	-	-	-	(534 929)	1 405 062
Office equipment	794 738	-	-	-	(186 536)	608 202
IT equipment	384 057	1 220 872	-	-	(323 475)	1 281 454
Infrastructure	208 149 720	-	32 048 200	-	(20 348 430)	219 849 490
Asset under construction	60 760 502	48 072 255	(32 104 955)	-	-	76 727 802
Total	327 167 923	49 391 658	172 825 530	237 664 054	(23 720 757)	763 328 408

Reconciliation of property plant and equipment- 2022

	Opening balance	Additions	Transfers	Other changes/movements	Depreciation	Total
	N\$	N\$		N\$	N\$	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
Total	315 163 103	33 857 263	-	-	(21 852 443)	327 167 923

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

21. Investment property

	2023			2022		
	Cost/ Valuation N\$	Accumulated depreciation and impairment N\$	Carrying Value N\$	Cost/ Valuation N\$	Accumulated depreciation and impairment N\$	Carrying Value N\$
Investment property	6 773 600	(913 076)	5 860 524	836 467 100	(965 728)	835 501 372
Total	6 773 600	(913 076)	5 860 524	836 467 100	(965 728)	835 501 372

Reconciliation of Investment property 2023

	Opening balance N\$	Additions N\$	Transfers N\$	Other changes/movements N\$	Depreciation N\$	Total N\$
Investment property	835 501 372	-	(830 842 579)	1 430 000	(228 269)	5 860 524
Total	835 501 372	-	(830 842 579)	1 430 000	(228 269)	5 860 524

Reconciliation of Investment property 2022

	Opening balance N\$	Additions N\$	Disposals N\$	Other changes/movements N\$	Depreciation N\$	Total N\$
Investment property	846 393 281	-	(10 570 000)	-	(321 909)	835 501 372
Total	846 393 281	-	(10 570 000)	-	(321 909)	835 501 372

TOWN COUNCIL OF ONDANGWA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**21. 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.

22. 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

	2023	2022
	N\$	N\$
NORED	656 407	594 635

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

22. Related parties (continued)

Related party transactions:

Purchases from (sales to) related parties

	2023	2022
	N\$	N\$
NORED	6 197 945	5 685 295

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 8 & 9 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 YEAR ENDED 30 JUNE

23. Prior period errors

Opening accumulated surplus was restated as a result of the following:

1. Recognition of land which was erroneously not recognised as council erven, amounting to N\$ 331 374 887 as per valuation roll.
2. Correction of error to restate the debt impairment which was overstated in prior year with an amount of N\$ 9 529 996
3. Adjustment of the VAT control account against Namibian Revenue Agency statement amounting to N\$ 8 418 946
4. Recognition of building, valued at N\$ 2 064 500 as per valuation roll, which was erroneously excluded in prior year.
5. Adjusted inventory with N\$ 915 265 due to an error that took place in prior year at conversion from old system against the physical verification.
6. Correction of unreconciled items from prior years amounting to N\$ 5 328.
7. Recognition the effect of saving on 5% contribution to Regional Council resulted from an overpayment made in 2022 financial year amounting to N\$ 53 535.
8. Expensing of temporary structure which was classified as a property, plant and equipment in prior year, amounting to N\$ 3 596.
9. Recognition of tabs which were expensed in prior year, amounting N\$ 6 798.
10. Recognition of microwave which were expensed prior year, amounting N\$ 1 899.
11. Reversal of sales of erven liability which was refunded to the owner, amounting to N\$ 68 895.
12. Recognition of liabilities which were not recorded in previous year from sale of erven, amounting to N\$ 704 844.
13. De-recognition of items sold out, registered and duplicates, amounting to N\$ 89 912 400:
 - Investment property: N\$ 86 210 200;
 - Property, plant and equipment: N\$ 3 102 200; and
 - Inventory: N\$ 600 000.
14. Reversal of accumulated depreciation for the de-recognised items:
 - Investment property: N\$ 12 651; and
 - Property, plant and equipment: N\$ 100 296.

The 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:

	2023	2022
	N\$	N\$
Statement of financial position		
Opening Accumulated Surplus or Deficit	240 168 611	-

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

24. Comparative figures

The comparative figures were restated as a result of the effect of prior period errors (Note 23).

25. 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.

26. Events after the reporting date

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