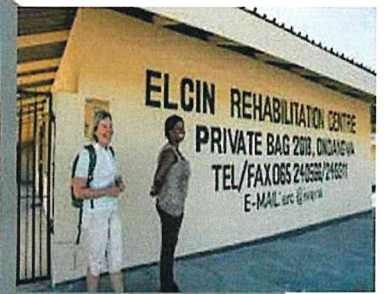




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONIIPA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Published by authority

Price (Vat excluded) N\$ 54.00
Report no: 95/2020

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 Oniipa for the financial years ended 30 June 2019 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, February 2021

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF ONIIPA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Town Council of Oniipa for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, statements of comparison of budget and actual and a summary of significant accounting policies.

In my opinion, except for the effects of the matters described in the basis for qualified audit opinion paragraph, the financial statements present fairly in all material respects, the financial position of Oniipa Town Council as at 30 June 2019, their financial performance, and cash flows for the year then ended.

2. BASIS FOR 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 my 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 my 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.

A qualified audit opinion is being expressed due to the following:

- On preparation and presentation of financial statements, the Council did not prepare and present an opening statement of financial position at the date of adoption of IPSASs as stated in IPSAS 33.15;
- Non-compliance with IPSASs 19.27, which states that an obligation to restore the sand quarry after the end of its useful life should be raised. However, the Town Council did not make provision for restoration of sand quarry in the financial statements;
- The Council did not include the gross carrying amount/cost and accumulated depreciation for each class of property, plant and equipment in the financial statements, additionally no reconciliation of the carrying amount at the beginning and end of the period was disclosed.
- The Council did not disclose land, and building separately in note to the financial statements, which states that, land, and buildings are separable assets and are accounted for separately, even when they are acquired together. In additions constructions, which were not presented on the face of the financial statements as work in progress, were disclosed as part of land and buildings;
- The fixed asset register was incomplete as it did not contain dates of acquisition and accumulated depreciation. As a result the auditors could not confirm the accuracy of depreciation amounting to N\$ 1 094 997 disclosed in the financial statements. Fixed assets are marked with unique identification numbers; however, the fixed asset register does not

include the corresponding unique identification numbers. The locations of the fixed assets are not explicitly stated in the fixed assets register, only department numbers were included;

- Invoice for the purchase of a fixed asset pertaining to 2018 financial year to the value of N\$ 766 248 was recorded as addition in the year under review. In terms of the accrual concept, transactions are recorded when they occur rather than when payment is received or made; and
- The Town Council recorded the purchase of road infrastructure assets in the financial statements exclusive of value added tax amounting to N\$ 353 597, however, subsidised road infrastructure are exempted from value added tax.

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 my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statements for the Town Council of Oniipa.

4. AUDIT OF PERFORMANCE INFORMATION

The (KPI) key performance indicators audit could not be carried out due to the non-submission of updated strategic, annual plan, quarterly reviews and annual review reports.

5. 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance compliance with Section 87(1) of the Local Authorities Act, 1992, such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, 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 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 auditor's 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 auditor's 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 auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted late than required by the Accounting Officer to the Auditor-General on the 5th November 2019 in terms of Section 87(1) of the Local Authority Act, 1992.

9. ACKNOWLEDGEMENT

I would like to express my appreciation for the courtesy and assistance rendered by the staff of the Town Council of Oniipa during the audit.

WINDHOEK, February 2021



**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

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

		2019	2018
	Note	N\$	N\$
ASSETS			
Current assets		11 108 390	14 779 889
Cash and cash equivalents	1	6 578 798	13 155 321
Value added tax receivables	2	2 213 453	448 356
Other receivable	2	26 863	34 404
Receivable from exchange transaction	2	2 190 026	985 359
Inventories		99 250	156 449
Non-current assets		25 409 513	10 918 583
Property, plant and equipment	11	25 409 513	10 918 583
TOTAL ASSETS		36 517 903	25 698 472
NET ASSETS AND LIABILITIES			
Current Liabilities		3 747 397	3 451 991
Payables from exchange transaction	4	890 358	1 834 129
Bank overdraft	1	1 188 900	342 669
Consumer deposit	5	1 131 225	907 730
Provision for leave	6	536 914	367 463
Equity		32 770 506	22 246 481
Funds	7	7 390 819	11 355 891
Other reserves	7	17 375 558	10 918 583
Accumulated surplus/ (deficit)		8 004 129	(27 993)
TOTAL ASSETS AND LIABILITIES		36 517 903	25 698 472

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

	Note	2019 N\$	2018 N\$
Revenue	13	25 735 096	23 308 304
Revenue from exchange transaction		12 839 287	9 943 517
Water services		9 651 156	7 362 511
Sewerage services		189 431	87 259
Other income		2 850 753	2 446 949
Refuse removal		147 947	46 798
Revenue from non-exchange transaction		12 895 809	13 364 787
Rates and taxes		1 185 210	301 432
Government grants and subsidies		11 534 870	12 844 110
Fees, licence, fines and penalties		175 729	83 362
Dividends received		-	135 882
Less: Expenses	14	17 901 996	23 968 098
Council general services		957 798	1 372 362
Town clerk		1 332 591	1 212 556
Finance		3 012 759	2 622 022
Technical services		586 045	5 032 063
Health division		436 590	412 558
Human resources and admin		851 035	787 930
Parks and recreational		-	20 600
Cleaning services		293 429	206 516
Sewerage department		438 950	289 226
Stores		19 225	4 135
Local economic development		640 667	510 710
Roads, storm water and sidewalk		1 090 645	602 486
Development planning and environment		396 067	4 972 476
Electricity		-	264 417
Water services		6 175 630	5 658 041
Depreciation		1 094 997	-
Provision for leave days		169 451	-
Provision for bad debts		406 115	-
Surplus/ (deficit) for the period		7 833 099	(659 794)

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

	Funds	Reserves	Accumulated surplus / (deficit)
	N\$	N\$	N\$
Balance as at 1 July 2017	7 000 000	5 420 499	640 716
Changes in accounting policy	-	-	(8 915)
Reinstated accumulated surplus(deficit)	-	-	631 801
Increase in funds	4 355 891	-	-
Increase in reserve	-	5 498 083	-
Surplus/ (deficit) for the period			(659 794)
Balance as at 1 July 2018	11 355 891	10 918 582	(27 993)
Changes in accounting policy	-	-	199 022
Reinstated accumulated surplus (deficit)	-	-	171 029
Decrease in funds	(3 965 072)	-	-
Increase reserves	-	6 456 975	-
Surplus/ (deficit) for the period	-	-	7 833 099
Balance as at 30 June 2019	7 390 819	17 375 558	8 004 129

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

		2019	2018
	Note	N\$	N\$
Cash flow from operating activities			
Receipts		22 590 254	23 308 304
Cash receipts from exchange and other non-exchange transaction	9	11 055 384	23 308 304
Cash receipts from non- exchange transaction: Government grants & subsidies	9	11 534 870	-
Payments		(16 918 983)	(22 622 463)
Cash payments to supplier and employees	10	(16 918 983)	(22 622 463)
Net cash flows from operating activities		5 671 271	685 841
Cash flows from investing activities			
Purchase of property plant and equipment (Increase)/decrease in investments	11	(15 585 927) -	(5 498 083) (4 612 949)
Net cash flows from investing activities		(15 585 927)	(10 111 033)
Cash flows from financing activities			
Increase in funds and reserves	12	2 491 903	9 853 975
Net cash flows from financing activities		2 491 903	9 853 975
Net increase/(decrease) cash flow from financing activities		(7 422 754)	428 783
Cash and cash equivalents at the beginning of the year		12 812 652	(770 607)
Cash and cash equivalents at the end of the year		5 389 898	(341 824)

ANNEXURE E

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE 2019

	Original Budget	Final Adjusted Budget	Actual	Variance	Variance
	N\$	N\$	N\$	N\$	%
Surplus/ (deficit)					
EXPENDITURE					
Rates and services					
001 Council general expenses	1 248 130	1 248 130	957 798	290 332	23
002 Chief Executive Office	1 479 571	1 479 571	1 332 591	146 979	10
003 Finance	3 197 250	3 197 250	3 012 759	184 491	6
005 Technical	727 491	727 491	586 045	141 445	19
007 Health division	640 965	640 965	436 590	204 375	32
009 Human resources	1 298 763	1 298 763	851 035	447 728	34
017 Stores	80 000	80 000	19 225	60 775	76
020 Local economic & development	1 101 258	1 101 258	640 667	460 591	42
075 Non- cash items	-	-	1 670 563	(1 670 563)	100
	9 773 428	9 773 428	9 507 275	266 153	3
Non-profitable services					
006 Cemetery	15 000	15 000	-	15 000	100
020 Roads, storm water & sidewalk	1 190 881	1 190 881	1 090 645	100 236	8
021 Town planning and development	465 617	465 617	396 067	69 549	15
013 Assessment rates	30 000	30 000	-	30 000	100
	1 701 498	1 701 498	1 486 713	214 785	13

ANNEXURE E

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE 2019

Continue....

	Original Budget	Final Adjusted Budget	Actual	Variance	Variance
	N\$	N\$	N\$	N\$	%
Self-supporting services					
011 Cleansing services	478 329	478 328	293 429	184 899	39
012 Sewerage	613 710	613 710	438 950	174 760	28
	1 092 038	1 092 038	732 379	359 659	33
Trading services					
063 Water services	7 653 405	7 653 405	6 175 630	1 477 775	19
061 Electricity	80 000	80 000	-	80 000	100
	7 733 405	7 733 405	6 175 630	1 557 775	20
TOTAL EXPENDITURE	20 300 369	20 300 369	17 901 996	2 398 373	12
REVENUE					
Rates and general					
001 Council general expenses	1 179 859	1 179 859	600 000	579 859	49
002 Chief executive officer	502 000	502 000	501 443	557	-
003 Finance	1 057 000	1 057 000	1 238 942	-181 942	-17
005 Technical	17 108 605	17 108 605	4 976 413	12 132 192	71
007 Health division	565 000	565 000	522 401	42 599	8
009 Human resource	400 000	400 000	400 000	-	-
010 Park & recreation	5 000	5 000	-	5 000	100
020 Local economic dev. & tourism	459 100	459 100	275 211	183 889	40
	21 276 564	21 276 564	8 514 411	12 762 153	60

ANNEXURE E

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE 2019
Continue...

	Original Budget	Final Adjusted Budget	Actual	Variance	Variance
	N\$	N\$	N\$	N\$	%
Non-profitable services					
006 Cemetery	35 000	35 000	33 000	2 000	6
020 Roads, stormwater & sidewalk	630 000	630 000	629 669	331	0
021 Town planning and development	11 210 134	11 210 134	2 381 194	8 828 940	79
013 Assessment rates	600 000	600 000	-	600 000	100
	12 475 134	12 475 134	3 043 863	9 431 271	76
Self-supporting services					
011 Cleansing services	770 966	770 966	147 947	623 020	81
012 Sewerage	1 280 000	1 280 000	289 431	990 569	77
	2 050 966	2 050 966	437 378	1 613 588	79
Trading services					
063 Water services	10 674 752	10 674 752	9 657 156	1 017 596	10
061 Electricity	4 005 000	4 005 000	4 082 287	(77 287)	(2)
	14 679 752	14 679 752	13 739 443	940 309	6
TOTAL REVENUE	50 482 416	50 482 416	25 735 096	24 747 320	49
Surplus/(deficit)				7 833 099	
Transfer To capital	30 253 924	30 253 924	15 585 927	14 667 996	48
Capital expenditure and funds sources					
Total capital expenditures	30 253 924	30 253 924	15 585 927	14 667 996	48
Sources of capital funds					
Tranfers recognised - Capital			15 202 441		
Internal generated funds			383 487		
Total sources of funds	-	-	15 585 927	-	-

1. Basis of preparation and significant accounting policies

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

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

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

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

1.1 Presentation currency and rounding

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

1.2 Changes in accounting policy

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

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

1.3 Transitional exemptions that do not affect fair presentation

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

IPSAS 1, Presentation of financial statements

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

Furthermore, the standard encourages the presentation of comparative figures, but does not make the presentation of comparative figures mandatory. The Oniipa Town Council has opted to

present comparative figures in these financial statements in accordance with previous accounting basis.

IPSAS 9, Revenue from exchange transactions

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

IPSAS 23, Revenue from non –exchange transactions

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

IPSAS 24, Presentation of budget information in financial statements

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

1.4 Transitional exemptions that affect fair presentation

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

IPSAS 12, Inventories

IPSAS 16, Investment property

IPSAS 17, Property, plant and equipment

IPSAS 29, Financial Instruments: Recognition and measurement

IPSAS 31, Intangible assets

A summary of significant accounting policies, which has been applied in the preparation of these annual financial statements, are disclosed below.

1.5 Significant judgments and sources of estimation uncertainty

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

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

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

1.5.1 Provisions, contingent liabilities and contingent assets

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

1.5.2 Accounts Receivable

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

As a prudent precaution on accounts receivables, management shall make an allowance for receivables where an allowance for receivables shall be presented on the face of the statement net of any receivables allowance.

1.5.3 Allowance for slow moving, obsolete or damaged inventory items

Inventory items shall be written down to the lower of cost and net realizable value.

1.5.4 Useful live of items of property, plant and equipment

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

1.6 Offsetting

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

1.7 Value Added Tax (VAT)

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

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

Commitments or contingencies are disclosed exclusive of value added tax.

1.8 Budget Information

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

The approved budget is prepared on a cash basis and covers the financial period beginning 1 July 2018 and ending 30 June 2019.

Comparative information shall not be required for the budget.

Differences between actual figures and budget figures shall be considered material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

The Town Council has presented a separate budget statement for the comparison of budget and actual figures in its financial statements.

1.9 Going Concern

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

1.10 Revenue

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

1.11 Revenue from exchange transactions

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

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

Recognition

Rendering of services

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

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

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

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

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

Sale of goods

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

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

Measurement

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

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

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

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

1.12 Revenue from non- exchange transaction

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

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

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

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

Conditions on transferred assets are stipulations that specify that future economic benefits or service potential embodied in the asset is required to be consumed by the Town Council as specified or service potential must be returned to the transferor.

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

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

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

Recognition

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

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

1.13 Property, Plant and Equipment

Amongst the IPSASs adopted is IPSAS 17, property, plant and equipment. The Town Council did not have an accounting policy for the recognition and measurement of items of property, plant and equipment.

The Town Council is in the process of recognizing and/ or measuring its items of property, plant and equipment for inclusion financial statements during the transitional period. The process of recognizing and measuring items of property, plant and equipment necessitates a continuous development of accounting policies relating to those items of property, plant and equipment subsequently brought to the statement of financial position.

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

Recognition

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

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

Initial measurement

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

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

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

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

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

The cost of an item of property, plant and equipment includes costs incurred initially to acquire or construct an item of property, plant and equipment and cost subsequently incurred to add to, and or to replace part of the item of property, plant and equipment. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced item of property, plant and equipment is derecognized.

The initial estimate of the cost of dismantling and removing the item and restoring the site in which it is located is also included in the cost of property, plant and equipment where the Town Council has an obligation to incur such expenditure, and the obligation arises as a result of acquiring the asset or using it for the purposes other than the production of inventories.

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciable.

Items of property, plant and equipment are depreciated using straight-line depreciation method over the item's useful life. Items of property, plant and equipment shall not have any residual value, as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognized prospectively as a change in the accounting estimate in the statements of surplus or deficit.

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

Items of property, plant and equipment are derecognized when the asset is disposed of or when there are no further economic benefits or service of potential expected from the use of the asset.

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

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

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

Type of asset	Useful life
Land and building	20
Plant and Equipment	10
Office furniture and equipment	10
Computer equipment	5
Sedan vehicles	5
LDVs and combis	5
Heavy vehicles	10
Tractors and trailers	10
Infrastructure	15

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

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

Assets held for sale

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

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

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

1.14 Site restoration and dismantling costs

The Town Council has an obligation to dismantle, remove and/or restore items of property, plant and equipment in circumstances where dismantlement, removal or restoration is necessitated.

At recognition of an item of property, plant and equipment, the cost shall include the initial estimates of costs of dismantling and removing the item and restoring the site on which it is

located as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period.

Measurement using the cost model:

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

1.15 Inventories

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

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognized when:

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

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

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

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

A provision is used only for the expenditures for which the provision was initially recognized.

Provisions are not recognized for future operating deficits.

1.17 Unauthorized expenditure

Unauthorized expenditure means:

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations are recognized as revenue to the extent that the Town Council has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions, or obligations have not been met a liability is recognized.

1.20 Transfers

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

Measurement

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

1.21 Gifts and donations

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

Measurement

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

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

1.22 Investments

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

1.23 Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances, deposits held at call at financial institutions and short- term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and reported under accounts receivables. Bank overdrafts are recorded under Current liabilities in the Statement of Financial Position, on the Statement of Cash flow, only the net will be disclosed in the under cash and cash equivalent.

1.24 Employees Cost

The council accounts for total benefit earned by employees during the financial year as salaries and wages in the statement of financial performance. Council members allowance is also recognized under this category.

1.25 Provision for Doubtful Debts

Oniipa Town Council maintain a provision for any non-payment, at each statement of financial position. date, the council make an assessment as to whether impairment loss need to be recognized.

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

The factor to be used will be disclosed in the notes the annual financial statement. Provision for doubtful debts is only applicable to debtors who owe for 90 days or more than. A provision sale of erven debtors is also included in the provision. Therefore, all debtors owing 90 days and above are considered when calculating provision for doubtful debts.

1.26 Debtors with Credit Balance

All debtors with a credit balance will be reclassified to be payable in the statement of financial position.

1.27 Research and Other Related Cost

Payment for environmental impact assessment, drafting of infrastructure plans and other expenditure relating to capital project to determine the feasibility are treated in the Statement of financial performance.

ANNEXURE F

**TOWN COUNCIL OF ONIIPA
FIRST TRANSITIONAL ANNUAL FINANCIAL STATEMENTS FOR THE ENDED
30 JUNE 2019 NOTES**

	2019	2018
	N\$	N\$
1. Cash and cash equivalent include the following items:	6 578 798	13 155 321
Petty Cash - 500	7	845
All Banks Accounts		13 154 475
Current account - Nakambale Museum	604	-
Call Account - Nakambale Museum	62 879	-
Call Account - Capital Projects	5 917 219	-
Call Account - Operational	592 147	-
Current Account - Onandjokwe Museum	5 942	-
Bank Overdraft	(1 188 900)	(342 669)
Net cash and cash equivalent	5 389 898	12 812 652
Operational account bank reconciliation		
Balance as per cash book	(1 188 900)	(342 669)
Adjustments	-	(10 910)
Recalculated balance as per cash book	-	(353 579)
Outstanding payments	1 332 054	450 571
Outstanding deposits	28 613	37 494
Balance as per bank statement	114 540	59 499
2. Receivables		
	2019	2018
	N\$	N\$
Account receivables exchange transactions	3 155 903	1 545 122
Other receivables	26 863	34 404
Value added tax receivables	2 213 453	448 356
	5 396 219	2 027 882
Less: provision for doubtful debtors	(965 877)	(559 763)
	4 430 341	1 468 119
Long term receivables	-	-
Balance at 30 June	4 430 341	1 468 119

Other Receivables

This is primary composed of Nored surcharges

Accounts receivables from exchange transaction

These are primary composed of receivables from water, sewerage, and refuse removal and erven sales.

3. Inventories

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

Inventory pledged as security

There were no inventories pledged as security.

Obsolete and slow - moving inventories

There were no inventory items identified as obsolete.

There were no inventory items damaged as at year-end.

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

4. Payables from exchange transactions

	2019	2018
	N\$	N\$
Accrued Creditors	750 656	1 834 129
Sundry Creditors	139 702	-
	890 358	1 834 129

Payables are expected to be settled within 12 months.

5. Consumer deposits

An account holder holds these as security in the event of payment default. As at 30 June 2019, the deposits held by the Town Council amounted to N\$ 1 131 225. The Council judges the deposits are adequate though a review has been contemplated for the next financial year to ensure these deposits are in line with the level of risks as assessed by the Town Council.

6. Provisions

The timing for the outflow of resources for leave provisions amounting to N\$536 914, as per statement of financial position is uncertain although there are annual movements associated with leave taken by employees of the Town Council.

7. Funds and other Reserves

	2019	2018
	N\$	N\$
Capital fund - 401	6 433 761	11 201 120
Sale of erven fund -413	957 058	154 772
	7 390 819	11 355 891
Other reserves-310 and 315	17 375 558	10 918 583

8. Reconciliation for cash generated from operation:

	2019	2018
	N\$	N\$
Surplus/ (deficit) from ordinary operating activities	7 833 099	(1 187 623)
Non-cash items:		
Adjustments for:	1 869 585	518 913
Depreciation	1 094 997	-
Loss on disposal	-	-
Provision for bad debt	406 115	(212 275)
Provision for employee benefits	169 451	(208 851)
Changes in accounting policy	199 022	940 040
Cash generated from operation before changes in working capital	9 702 684	(668 710)
Changes in working capital:	(4 031 414)	1 354 551
Account receivables	(3 368 337)	246 182
Inventory	57 199	98 543
Account payables	(943 771)	1 009 826
Consumer deposit	223 495	-
Cash flow from operating activities	5 671 271	685 841

9. Trade and other receivables Control Account

	Debit	Credit
	N\$	N\$
Balance: Account receivables	1 468 119	4 430 341
Balance: Consumer deposit	1 131 225	907 730
Revenue	25 735 096	
Government grants	-	11 534 870
Fair value adjustment	-	-
Profit on disposal	-	-
Provision for bad debts	-	406 115
Cash received from exchange and non-exchange transactions	-	11 055 384
	28 334 440	28 34 440

10. Trade and other Payables Control Account

	Debit	Credit
	N\$	N\$
Balance: Account payables	890 358	1 834 129
Balance: Inventory	156 449	99 250
Expenses		17 901 996
Depreciation and amortisation	1 094 997	-
Provision for Bad debt	406 115	-
Provision for employee benefits	169 451	-
Changes In Accounting Policies	199 022	-
Cash paid to suppliers and on behalf of employees	16 918 983	-
	19 835 375	19 835 375

11. Property, plant and equipment

	2019	2018
	N\$	N\$
Balances as at 1 July	10 918 583	5 809 581
Purchase of property, plant and equipment	15 585 927	5 949 270
Depreciation	(1 094 997)	(840 268)
Balances as at 30 June	25 409 513	10 918 583

12. Funds and Reserves

	2019	2018
	N\$	N\$
Balances as at 1 July	22 274 474	22 274 474
Adjustment for non-cash items: depreciation	-	-
Increase reserve and funds	2 491 903	-
Decrease in reserve and funds	-	-
Balances as at 30 June	24 766 377	22 274 474

13. Revenue earned during the period

	2019	2018
	N\$	N\$
Revenue	25 735 096	23 308 304
Subsidy - MURD Operations	2 150 000	6 736 226
Subsidy - MURD Capital Projects	9 384 870	6 107 884
Water	9 194 321	7 050 004
Sewerage	177 879	71 924
Refuse removal	131 516	42 861
Building rubbles	1 650	-
Sale of Refuse bins	14 780	3 937
Prepaid water tokens	3 866	3 557
Lease/occupation rent	1 185 210	301 432
Bidding fees	34 696	34 285
Business advertisements	1 061	-
Photocopies and faxes	6 055	12 214
Interest received	743 828	527 828
Equipment hire	240 359	80 260
Illegal sewerage connection	-	11 739
Water connection	214 868	183 645
Interest on overdue accounts	175 729	66 575
Building plans	20 125	12 073
Water disconnection	480	120
Water meter relocation	39 682	24 865
Water reconnection	197 939	100 320
Supply of building/gravel sand	90 219	165 156
3rd party admin fees	-	302
Fitness certificates	72 401	80 514
Illegal construction	6 000	1 739
Sewerage blockage/removal	1 443	-
Other income	80	100
Illegal construction	-	4 348
Sundry income	9 353	200 034
Surplus	2 281	2 108
Clearance/valuation certificates	478	183
R/D cheque penalty	-	700
Admin and advert fees - sale of erven	3 261	435
Marketing and Promotion Items	1 443	-
Nored Form	9 431	9 251
Museum income	174 150	-
Nored surcharges	213 617	151 934
Subsidy - Road Fund Administration	629 669	298 582
Sewerage connection	10 109	15 335
Property (plots) sales	592 245	869 952
Dividend received	-	135 882

14. Expenditure Incurred during the period

	2019	2018
	N\$	N\$
Expenditure	17 901 996	23 968 098
Council general services	957 798	1 372 362
Town clerk	1 332 591	1 212 556
Finance	3 012 759	2 622 022
Technical services	586 045	5 032 063
Health division	436 590	412 558
Human resources and administration	851 035	787 930
Parks and recreational	-	20 600
Cleansing services	293 429	206 516
Sewerage department	438 950	289 226
Stores	19 225	4 135
Local economic development	640 667	510 710
Roads, storm water and sidewalk	1 090 645	602 486
Development planning and environment	396 067	4 972 476
Electricity	-	264 417
Water services	6 175 630	5 658 041
Depreciation	1 094 997	-
Provision for leave days	169 451	-
Provision for bad debts	406 115	-

15. Depreciation

Depreciation charged to the income statement for the year is N\$ 1 094 997. This depreciation was calculated on income assets as per the previous accounting policy on depreciation.

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

16. Comparative Information

Presentation of comparative information was carried forward as presented in accordance with the previous reporting requirements before adoption of IPSAS.