



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONIIPA

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Oniipa for the financial years ended 30 June 2020 and 2021 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'.

WINDHOEK, August 2022

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF ONIIPA
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Town Council of Oniipa for the financial years ended 30 June 2020 and 2021, provided by the Accounting Officer as attached in Annexure A - F. 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 years then ended 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 2020 and 2021, their financial performance, and cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSAS).

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:

2.1 Opening statement of financial position on adoption of IPSAS

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 paragraph 15.

2.2 Provision for restoration-sand quarry

Non- Compliance with IPSASs 19 paragraph 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; furthermore the Council does not have a dumping site.

2.3 Asset reconciliation

The auditors noted that the Council did not present the asset reconciliation in the financial statements under note 14 (2020) and (2021). This resulted in the Council not adhering to IPSAS 17, paragraph 88(e) which states the financial statements shall disclose for each class of property, plant and equipment recognized, a reconciliation of the carrying amount at the beginning and end of the period showing; additions, disposals, increase and decrease resulting in revaluations, impairment losses recognized/reversed in surplus or deficit, depreciation and other changes must be disclosed.

2.4 Depreciation

It was observed that the Council does not have a depreciation policy in place to guide the Council in determining the useful life and method of depreciation of its significant part of items of property plant and equipment in compliance with IPSAS 17 paragraph 59 -78A as a result auditors could ascertain the validity and accuracy of depreciation disclosed amounting to N\$ 1 642 689 (2020) and N\$ 2 777 248 (2021). Furthermore, a difference of N\$ 23 556 was observed between the depreciation disclosed in the statement of financial performance 2020 (N\$ 1 666 245) and the property, plant and equipment note 2020 (N\$ 1 642 689).

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 respective of the financial statements for the Town Council of Oniipa.

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 AUDIT OF KEY PERFORMANCE INFORMATION

It was observed that the Council has a strategic and an annual plan, however, evidence of reviewing these plans could not be submitted. Consequently, we could not conclude whether targets were achieved as set out in the strategic and annual plans.

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 and 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 uses 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.
- 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 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 by the Accounting Officer to the Auditor-General on the 8th December 2020 (2020) and 16th December 2021 (2021) 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, August 2022


JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL

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

		2021	2020	2019
	Note	N\$	N\$	N\$
Current Assets		10 883 118	9 479 754	11 108 390
Cash and cash equivalents	10	7 135 703	6 726 582	6 578 798
VAT receivable		801 722	369 636	2 213 453
Receivables from exchange transactions	12	2 706 997	2 262 272	2 216 889
Inventories		238 696	121 264	99 250
Non-Current Assets		46 561 355	42 146 824	25 763 110
Property, plant and equipment	14	46 561 355	42 146 824	25 763 110
Total Assets		57 444 473	51 626 578	36 871 500
Liabilities				
Current Liabilities		7 133 350	6 456 835	4 704 456
Payables under exchange transactions	13	6 953 985	6 456 835	3 515 556
Bank overdraft	10	179 365	-	1 188 900
Funds		50 311 123	45 169 743	32 167 044
Funds		-	-	18 899 341
Accumulated surplus		50 311 123	45 169 743	13 267 703
Total assets and liabilities		57 444 473	51 626 578	36 871 500

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

		2021	2020	2019
	Note	N\$	N\$	Restated*
		N\$	N\$	N\$
Revenue				
Revenue from non-exchange transactions		13 298 714	19 467 472	12 170 539
Taxation revenue		128 342	57 743	-
Property rates		128 342	57 743	-
Transfer revenue		13 170 372	19 409 729	12 170 539
Transfers from government and related entities	2	13 170 372	19 403 729	12 164 539
Fines, penalties and levies		-	6 000	6 000
Revenue from exchange transactions		17 426 036	14 294 520	13 564 554
Sale of Erven		1 679 014	848 356	-
Service charges	3	12 145 242	10 272 018	9 759 840
Rendering of services		247 610	186 925	817 222
Lease/Occupational rent	4	1 619 990	1 549 678	1 185 210
Licences and permits		93 638	101 666	72 401
Other revenue	5	692 142	540 701	810 324
Interest earned	6	724 888	620 555	919 557
Sundry income		216 223	170 826	-
Gain on disposal of assets and liabilities		7 289	3 795	-
Total revenue		30 724 750	33 761 992	25 735 093
Expenses		25 583 373	20 735 738	17 548 398
Bulk purchases		6 307 128	5 908 568	5 943 494
Employee costs	7	7 466 895	6 595 745	6 012 004
Remuneration of councilors	8	478 400	433 192	433 192
Depreciation and amortization expense		2 777 248	1 642 689	1 094 997
Repairs and maintenance		1 177 946	1 040 791	777 181
Contracted services		575 922	416 054	230 459
Debt impairment		1 311 468	1 502 510	406 115
General Expenses	9	5 488 366	3 196 189	2 650 956
Surplus for the year		5 141 377	13 026 254	8 186 695

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

	Other Non- Distributable Reserve	Accumulated surplus	Total net assets/ equity
	N\$	N\$	N\$
Balance at 01 July 2019	18 899 341	13 267 704	32 467 045
Changes in net assets/equity			
Surplus for the year	-	13 002 698	13 002 698
Reclassified to retained earnings	(18 899 341)	18 899 341	-
Total changes	(18 899 341)	31 902 039	13 002 698
Opening balance as previously reported adjustment	-	46 516 982	46 516 982
Prior year adjustments	-	(1 347 236)	(1 347 236)
Balance at 01 July 2020 as restated*		45 169 746	45 169 746
Changes in net assets/equity			
Surplus for the year	-	5 141 377	5 141 377
Total changes	-	5 141 377	5 141 377
Balance at 30 June 2021	-	50 311 123	50 311 123

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

		2021	2020	2019 Restated*
	Note	N\$	N\$	N\$
Cash flows from operating activities				
Receipts		28 507 299	34 054 121	22 366 754
Property taxes and other		128 342	63 743	6 000
Sale of goods and services		14 483 697	13 966 094	9 276 658
Government grants and RFA subsidies		13 170 372	19 403 729	12 164 539
Interest received		724 888	620 555	919 557
Payments		(21 093 055)	(14 671 275)	(15 738 625)
Compensation of employees		(7 945 295)	(7 028 937)	(6 445 196)
Suppliers		(13 147 760)	(7 642 338)	(9 293 429)
Net cash flows from operating activities	11	7 414 244	19 382 846	6 628 129
Cash flows from investing activities				
Purchase of property, plant and equipment	14	(7 200 820)	(18 039 478)	(15 939 524)
Proceeds from sale of property, plant and equipment	14	16 332	9 900	-
Net cash flows from investing activities		(7 184 488)	(18 029 578)	(15 939 524)
Cash flows from financing activities				
Suspense - asset register		-	(16 584)	-
Direct adjustment to funds		-	-	1 888 642
Net cash flows from financing activities		-	(16 584)	1 888 642
Net increase/(decrease) in cash and cash equivalents		229 756	1 336 684	(7 422 753)
Cash and cash equivalents at the beginning of the year		6 726 582	5 389 898	12 812 651
Cash and cash equivalents at the end of the year	10	6 956 338	6 726 582	5 389 898

**TOWN COUNCIL OF ONIIPA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE**

	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
Revenue from non-exchange transactions					
Taxation revenue	13 850 842	13 850 842	13 298 714	(552 128)	
Property rates	650 000	650 000	128 342	(521 658)	
Other revenue	13 200 842	13 200 842	13 170 372	(30 470)	R1
Transfers from other government entities	13 200 842	13 200 842	13 170 372	(30 470)	R2
Revenue from exchange transactions					
Sale of Erven	20 472 206	20 472 206	17 463 747	(3 053 459)	R3
Service charges	3 000 000	3 000 000	1 679 014	(1 320 986)	R4
Rendering of services	13 309 206	13 309 206	12 145 242	(1 163 964)	R5
Lease/Occupational rent	350 000	350 000	247 610	(102 390)	R6
Licenses and permits	1 850 000	1 850 000	1 619 990	(230 010)	R7
Other revenue	100 000	100 000	93 638	(6 362)	R8
Interest revenue	840 000	840 000	692 142	(147 858)	R9
Other Income	680 000	680 000	724 888	44 888	R10
Total revenue	34 323 048	34 323 048	30 762 461	(3 605 587)	

ANNEXURE E

**TOWN COUNCIL OF ONIPA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE (continued)**

	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
Expenditure	(25 848 456)	(25 848 456)	(25 583 373)	265 083	
Bulk purchases	(6 510 000)	(6 510 000)	(6 307 129)	202 871	R11
Employee costs	(8 376 591)	(8 376 591)	(7 466 895)	909 696	R12
Remuneration of councilors	(510 686)	(510 686)	(478 400)	32 286	R13
Depreciation and amortization expense	-	-	(2 777 247)	(2 777 247)	R14
Repairs and maintenance	(1 588 137)	(1 588 137)	(1 177 946)	410 191	R15
Contracted Services	(608 000)	(608 000)	(575 922)	32 078	R16
Debt impairment	(150 000)	(150 000)	(1 311 468)	(1 161 468)	R17
General Expenses	(8 105 042)	(8 105 042)	(5 488 366)	2 616 676	R18
Total expenditure	(25 848 456)	(25 848 456)	(25 583 373)	265 083	
Deficit	8 474 592	8 474 592	5 134 088	(3 340 504)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	8 474 592	8 474 592	5 134 088	(3 340 504)	

**TOWN COUNCIL OF ONIIPA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE (continued)**

Note: Council is not required to prepare and publish Budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS 24.5, from preparing the Statement of Comparison of the Budget and Actual Amounts for those statements in.

R1: Residents still in the process of transferring properties in their names and interim valuation was not carried out

R3: A lot of plots that were up for sale by way of tender was not successful and approval of townships was not finalised on time

R5: A lot of residents in the newly serviced areas are struggling to connect on the sewer connection and they are still using their old septic tanks

R6: We had a challenge with revenue collection on plant hire due to numerous machinery breakdowns

R8 & R10: Revenue collected impacted by COVID-19 effect

R15 & R 18: Spending reduced due to COVID-19 effect

R17: under budget provision made

ANNEXURE E

**TOWN COUNCIL OF ONIPA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE**

	Approved budget	Final Budget	Actual amounts on comparable basis	Difference		Reference
				between final budget and actual		
	N\$	N\$	N\$	N\$	N\$	N\$
Revenue from non-exchange transactions	20 629 000	20 629 000	19 467 472	(1 161 528)		
Taxation revenue	19 600 000	19 600 000	18 442 758	(1 157 242)		
Property rates	600 000	600 000	57 743	(542 257)	R1	
Transfers from other government entities	19 000 000	19 000 000	18 385 015	(614 985)	R2	
Transfer revenue	1 029 000	1 029 000	1 024 714	(4 286)		
Fines, penalties and levies	10 000	10 000	6 000	(4 000)	R3	
RPA Subsidy	1 019 000	1 019 000	1 018 714	(286)	R4	
Revenue from exchange transactions	18 664 027	18 664 027	14 290 726	(4 373 301)		
Service charges	12 965 727	12 965 727	10 272 019	(2 693 708)	R5	
Rendering of services	2 530 000	2 530 000	1 035 281	(1 494 719)	R6	
Lease/Occupational rent	1 600 000	1 600 000	1 461 301	(138 699)	R7	
Licences and permits	100 000	100 000	101 666	1 666	R8	
Other Income	776 100	776 100	799 904	23 804	R9	
Interest revenue	692 200	692 200	620 555	(71 645)	R10	
Total revenue	39 293 027	39 293 027	3 758 198	(5 534 829)		

**TOWN COUNCIL OF ONIPA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE (continued)**

	N\$	N\$	N\$	N\$
	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	Reference
Expenditure	(21 038 731)	(21 038 731)	(20 759 294)	279 435
Bulk purchases	(7 000 000)	(7 000 000)	(5 908 568)	1 091 432 R11
Employee costs	(6 648 531)	(6 648 531)	(6 595 745)	52 786 R12
Remuneration of councilors	(510 686)	(510 686)	(433 192)	77 494 R13
Depreciation and amortisation expense	-	-	(1 666 245)	(1 666 245) R14
Repairs and maintenance	(1 524 000)	(1 524 000)	(1 040 791)	483 207 R15
Contracted Services	(723 074)	(723 074)	(416 054)	307 020 R16
Debt impairment	-	-	(1 502 510)	(1 502 510) R17
General Expenses	(4 632 440)	(4 632 440)	(3 196 189)	1 436 251 R18
Total expenditure	(21 038 731)	(21 038 731)	(20 759 294)	279 437
Operating surplus	18 254 296	18 254 296	12 998 904	(5 255 392)
Gain on disposal of assets and liabilities	-	-	3 795	3 795 R19
Surplus before taxation	18 254 296	18 254 296	13 002 699	(5 251 597)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	18 254 296	18 254 296	13 002 699	(5 251 597)

**TOWN COUNCIL OF ONIPA
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AS AT 30 JUNE (continued)**

R1: The rates and taxes were just implemented from January 2020

R3: Council have put up measures in place to curb illegal construction hence few penalties charged during the financial year

R5: Charges such as basic charges for service availability could not be charged on the vacant plots since the residents were not able to transfer properties in their names

R6: Sales of even could not be finalised earlier due to the fact that transfer of properties could not be done and a lot of plots that were up for sale by way of tender was not successful.

R11: Residents water consumption turned out be less than expected hence less bulk purchase.

R15: Most of the Council equipment's are still in good condition hence less spending on the repairs and maintenance.

R16: Council opted to contract individual residents to carry out refuse collection than going out on tender and this is the reason why there was less spending on the contractual services.

R18: Council reduced on its spending given the fact that some revenue line items could not be implemented due to delays that were beyond control.

**TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE**

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

Transitions statement

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, The Town Council is **not able to make an explicit and unreserved** statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2021. The Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2022 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that Oniipa Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The council has made minimum progress towards such compliance; however management shall apply relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

The following IPSAS have not been fully implemented:

IPSAS 12, Inventories

IPSAS 16, Investment Property

IPSAS 17, Property, Plant and Equipment

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.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

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 town 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 town council.

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset outing IPSAS9 (Revenue from Exchange Transactions) and IPSAS23 (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 town 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 town 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 town 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 town council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

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, the town 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 1.5 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 town council. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE 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 24, 25, and to the Annual Financial Statements, if applicable.

1.2 Revenue from non-exchange transactions

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

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.2 Revenue from non-exchange transactions (continued)

Rates and Taxes

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

Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the town 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 town 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 town 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 town 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 council, 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.

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

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 town council has transferred to the purchaser the significant risks and rewards of ownership of the goods;

The town council 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 council; 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 and without improvements. Tariffs are determined per category of property usage, and are levied based basic charges and on the number of bins on each property.

Service Charges relating to **sewerage** for residential properties are recognised on a monthly basis by applying the approved tariff to all properties. Tariffs are levied monthly based on the extent and / or zoning of each property and are levied based on the basic charge and number of toilets on each property.

Prepaid Water

Revenue from the sale of water prepaid meter are recognised at the point of sale. Revenue from the prepaid sales are recognised based on an estimate of the prepaid service consumed as at the reporting date.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS 3 JUNE (continued)

1.3 Revenue from exchange transactions (continued)

Rentals received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

Finance income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on Councillors' Gratuity Fund is allocated directly to the Creditor: Councillors' Gratuity Fund. Additional text
- Interest earned on unutilised Conditional Donations is allocated directly to the Creditor: Unutilised Public Donations, if the unutilised donations are kept in a dedicated separate bank account

Dividends

Dividends are recognised on the date that the town council becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.4 Property, plant and equipment

Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the town 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.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.4 Property, plant and equipment (continued)

Depreciation

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

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

Item	Average useful life
Office Buildings	30
Other Buildings	30
Motor vehicle	5-15
Infrastructure	10-30
Computer equipment	5-8
Furniture and fittings	5-10
Office equipment	5-10
Plant & Machinery	5-15
Other Assets	5-10

Land

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

Incomplete Construction Work/Asset under construction

Incomplete Construction Work/asset under construction is stated at historical cost. Depreciation only commences when the asset is available for use.

Derecognition

The gain or loss arising from the derecognition 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

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.5 Intangible assets

Initial recognition.

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with IPSAS 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the town 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.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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, Amortisation and Impairment

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	x years

Derecognition

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised. Gains are not classified as Revenue

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.6 Leases

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

1.7 Impairment of cash-generating assets

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

1.7.1 The 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 town 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 derecognition 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 town 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.

1.7.2 The 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 town 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 town council's net investment outstanding in respect of the leases or instalment sale agreements.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.7.2 The Town Council as a Lessor (continued)

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease

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 prorata on the basis of the carrying amount of each asset in the unit.

The town 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 town 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 non-cash generating unit to which the asset belongs is determined.

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

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.8 Impairment of non-cash-generating assets (continued)

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 town 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 town council intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair value of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices;

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.9 Financial instruments (continued)

Classification

The market for a Financial Asset is not active (and for unlisted securities), the town 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

The town Council 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:

Type of Financial Asset	Classification in terms of IPSAS 41
Receivables from exchange transactions	Financial asset measured at amortised cost
Investment in associate	Financial asset measured at fair value through surplus or Deficit
VAT receivables	Financial asset measured at amortised cost
Prepayment	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to council 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 council 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:

Type of Financial Liability	Classification in terms of IPSAS 41
Payables under exchange transactions	Financial liability measured at amortised cost
Payables under non-exchange transactions	Financial liability measured at amortised cost

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

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 ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.9 Financial instruments (continued)

Initial and subsequent measurement of financial assets and financial liabilities (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 town 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 Assets 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.

Derecognition

Financial assets

The town council derecognises Financial Assets 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 Assets due to non-recoverability.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.9 Financial instruments (continued)

Derecognition (continued)

Financial assets (continued)

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

Financial liabilities

The town council derecognises Financial Liabilities when, and only when, the town council 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 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 ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.10 Inventories (continued)

Subsequent Measurement (continued)

Water Inventory

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

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

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

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.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.11 Provisions and contingencies

The best estimate of the expenditure required to settle the present obligation is the amount that the town 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 town 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.

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 town 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.

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

12 Employee benefits

Employee benefits are all forms of consideration given by the town council 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 town council recognises the expected cost of performance bonuses only when the town council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a town council 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 town 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 Head of Department 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 town council and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation.

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

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.16 Going concern assumption

At 30 June 2021 the town council Current Assets exceeded its Current Liabilities. In addition the town council was not spared from the impact of Covid-19 and related effects. However, the town Council have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 30 to the Annual Financial Statements.

1.17 Investments in Nored

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

1.18 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.

No Unauthorised expenditures incurred under the reporting period

1.19 Net assets

Accumulated Surplus

The Accumulated Surplus contains accumulated surpluses, after appropriations to and from Statutory Funds.

1.20 Grants-In-Aid

The town council transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the town 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.

1.21 Value Added Tax

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

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

1.22 Material losses

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

1.23 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 ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

	2021	2020	2019
	N\$	N\$	N\$
2 Government grants	13 170 372	19 403 729	12 164 539
Operating grants :	3 065 830	3 218 714	2 779 669
Road fund and administration (RFA)	915 830	1 018 714	629 669
Government subsidy	2 150 000	2 200 000	2 150 000
Capital grants:	10 104 542	16 185 015	9 384 870
GRN- Capital projects	7 304 542	16 185 015	9 384 870
Government grant (Office construction)	800 000	-	-
Government grant (Capital)	2 000 000	-	-
3 Service charges	12 145 242	10 272 018	9 759 840
Service charges	193 118	161 245	1 693 447
Sale of water	11 512 782	9 757 000	7 742 840
sewerage and sanitation charges	262 280	204 897	179 322
Refuse removal	177 062	148 876	144 231
4 Rental of facilities and equipment	1 619 990	1 549 678	1 185 210
Rental income- ATM/Kiosk	36 391	-	-
Lease/occupational rent	1 520 068	1 461 301	1 185 210
Rental of equipment	63 531	88 377	-
5 Other income	692 142	540 701	810 324
Supply of building sand and gravel	126 570	151 741	-
Electricity sales (prepaid)	55 713	6 465	-
Other revenue	-	-	810 324
NORED Surcharge	509 859	382 495	-
6 Interest received	724 888	620 555	919 557
Bank	218 968	363 957	743 828
Interest charged on trade and other receivables	505 920	256 598	175 729

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

	2021	2020	2019
	N\$	N\$	N\$
7 Employee related costs	7 466 895	6 595 745	6 012 004
Basic	3 823 223	3 325 733	3 163 160
Bonus	274 577	248 719	211 723
Medical aid - company contributions	836 791	668 998	550 567
Social security	21 226	17 673	17 188
WCA	4 110	5 243	4 624
Leave pay provision charge	219 834	214 370	169 451
Defined contribution plans	797 614	668 016	620 545
Overtime payments	20 092	42 602	37 618
Car allowance	405 723	322 457	308 975
Housing benefits and allowances	993 085	918 675	894 853
Cellphone allowance	31 200	24 000	24 000
Standby allowance	7 200	7 200	9 300
Transport allowance	32 220	132 059	-
8 Remuneration of Councilors	478 400	433 192	433 192
Mayor	77 500	77 500	77 500
Deputy Mayor	69 757	69 757	69 757
MC Chairperson	72 333	72 333	72 333
Other Council Members	231 210	186 002	186 002
Cellphone allowance	27 600	27 600	27 600
9 General expenses	5 488 366	3 196 189	2 650 956
Regional council taxes (5%) contribution	1 641 986	2 887	-
Advertising	43 540	100 000	49 779
Bank charges	175 311	139 022	118 997
Entertainment	47 491	36 025	49 398
Cleaning	38 919	50 000	4 110
Consulting and professional fees	81 838	17 804	59 604
Electricity	648 897	425 250	363 237
Fuel and oil	295 380	272 221	308 911
IT expenses	30 039	24 736	24 697
Insurance	161 043	153 177	151 308
Motor vehicle expenses	222 211	173 121	123 738
Other expenses	1 536 421	1 134 602	629 150

TOWN COUNCIL OF ONIIPA

NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

	2021	2020	2019
	N\$	N\$	N\$
9 General Expenses (continued)			
Promotional materials	5 000	12 610	27 380
Postage and courier	150 970	179 222	195 773
Printing and stationery	84 315	98 086	100 022
Protective clothing	44 791	25 404	4 500
Telephone and fax	89 439	74 463	60 086
Tourism development	400	400	-
Training	47 294	107 851	58 545
Travel - local	143 081	169 308	321 721
10 Cash and cash equivalents	6 956 338	6 726 582	5 389 898
Cash and cash equivalents consist of:			
Cash on hand	280	1 515	7
Bank balances	-	389 462	-
Short-term deposits	7 135 423	6 335 605	6 578 791
Bank overdraft	(179 365)	-	(1 188 900)
	6 956 338	6 726 582	5 389 898
Current assets	7 135 703	6 726 582	6 578 798
Current liabilities	(179 365)	-	(1 188 900)
11 Cash generated from operations	7 414 244	19 382 847	6 628 129
Surplus	5 141 377	13 002 699	8 186 695
Adjustments for:			
Depreciation and amortisation expense	2 777 247	1 666 245	1 094 997
Loss on sale of assets and liabilities	(7 289)	(3 795)	-
Debt impairment	1 311 468	1 502 510	406 115
Changes in working capital:			
Inventories	(117 432)	(22 014)	57 199
Receivables from exchange transactions	(444 725)	(45 383)	(1 197 126)
Consumer debtors	(1 311 468)	(1 502 510)	(406 115)
Payables under exchange transactions	497 152	2 941 278	251 461
VAT	(432 086)	1 843 817	(1 765 097)

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

	2021	2020	2019
	N\$	N\$	N\$
12 Receivables from exchange transactions	2 706 997	2 262 272	2 216 889
Trade debtors	2 611 152	2 119 767	2 190 026
Prepayments	-	54 426	-
Sundry debtors	95 845	88 079	26 863
13 Payables under exchange transactions	6 953 985	6 456 834	3 515 556
Trade payables	1 967 193	2 582 737	750 657
Payments received in advanced - contract in process	387 326	274 310	139 702
Employee payables	971 118	883 343	536 914
Deposits received from trade customers	1 469 428	1 290 588	1 131 225
Deposits on Erven	1 978 056	1 409 271	957 058
Suspense	180 864	16 585	-

* The amounts disclosed above for revenue for Service Charges are in respect of service rendered which are billed to the consumers on a monthly basis according to approved tariffs.

*Rental revenue earned on lease/occupational of residents in informal area set up and AT/Kiosk rent.

*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. Water is purchased from NamWater.

* For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash-on-hand, cash in the Banks and Investments in Money Market Instruments, net of outstanding bank overdrafts.

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

Short term deposits consist of Call Deposits

Call and Notice Deposits

*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.

TOWN COUNCIL OF ONIIPA

NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

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.

*Receivables from exchange transactions are billed monthly, latest 20th of each month. No interest is charged on receivables until the 15th of the following month. There after interest is charged at a rate determined by council on the outstanding balance. The town council strictly enforces its approved credit control policy to ensure the recovery of receivables.

The town council did not pledge any of its receivables as a security for borrowing purposes

Allowance for impairment:

At 30 June 2021 receivables from exchange transactions were impaired and fully provided for,
N\$ 1 311 468(30 June 2020: N\$ 1 502 510).

*Inventories are held for own use 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 pf the town council.

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

14. Property, plant and equipment	2021		2020		2019			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Accumulated depreciation and accumulated impairment	Carrying value
Land	N\$ 2 466 146	N\$ -	N\$ 2 466 146	N\$ 1 069 550	N\$ -	N\$ 1 069 550	N\$ -	N\$ -
Buildings	21 683 009	(730 176)	20 952 833	21 203 470	(23 222)	21 180 248	-	-
Furniture and fixtures	977 080	(212 392)	764 688	726 040	(111 824)	614 216	-	-
Motor vehicles	4 441 193	(2 210 540)	2 230 653	3 594 332	(1 658 259)	1 936 073	-	-
Office equipment	364 687	(251 122)	113 565	308 458	(187 562)	120 896	-	-
IT equipment	199 813	(110 941)	88 872	160 449	(98 603)	61 846	-	-
Infrastructure	22 316 214	(3 113 467)	19 202 747	18 599 943	(1 874 170)	16 725 773	-	-
Work in progress	4 025	-	4 025	-	-	-	-	-
Other property, plant and equipment	902 509	(164 683)	737 826	537 246	(99 024)	438 222	25 763 110	25 763 110
	53 354 676	(6 793 321)	46 561 355	46 199 488	(4 052 664)	42 146 824	25 763 110	25 763 110

**TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)**

**14. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Disposals	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land	1 069 550	1 396 596	-	-	2 466 146
Buildings	21 180 248	479 540	-	(706 955)	20 952 833
Furniture and fixtures	614 216	251 039	-	(100 567)	764 688
Motor vehicles	1 936 073	846 860	-	(552 280)	2 230 653
Office equipment	120 896	56 230	-	(63 561)	113 565
IT equipment	61 846	66 350	(6 534)	(32 790)	88 872
Infrastructure	16 725 773	3 716 270	-	(1 239 296)	19 202 747
Work In Progress	-	4 025	-	-	4 025
Other property, plant and equipment	438 222	383 910	(2 507)	(81 799)	737 826
	42 146 824	7 200 820	(9 041)	(2 777 248)	46 561 355

TOWN COUNCIL OF ONIIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

ANNEXURE F

14. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Land	-	1 069 550	-	-	-	1 069 550
Buildings	-	12 382 200	-	8 821 270	(23 222)	21 180 248
Furniture and fixtures	-	390 807	-	264 492	(41 083)	614 216
Motor vehicles	-	-	-	2 433 905	(497 832)	1 936 073
Office equipment	-	10 307	-	166 175	(55 586)	120 896
IT equipment	-	9 999	-	83 601	(31 754)	61 846
Capital Infrastructure	-	4 103 619	-	13 572 945	(950 791)	16 725 773
Other property, plant and equipment	-	72 996	-	407 647	(42 421)	438 222
Other assets	25 763 110	-	(6 104)	(25 757 006)	-	-
	25 763 110	18 039 478	(6 104)	(6 971)	(1 642 689)	42 146 824

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Other property, plant and equipment	10 918 583	15 939 524	(1 094 997)	25 763 110

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

15. Risk management

Financial risk management

It is the policy of the town council to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the town council is exposed on the reporting date.

The entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Risks and exposures are disclosed as follows:

Credit risk

Credit Risk is the risk of financial loss to the town council if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the council's receivables from customers and investment securities. The town council has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The town council uses its own trading records to assess its major customers. The town council's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The town council limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Bank Windhoek and First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

15. Risk management (continued)

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The town council has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The town council is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the town council has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The town council limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of the Credit Control Policy, which permits the town council to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a clearance certificate, that the property will not be transferred until the full settlement of any debt remaining from the previous owner;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to use water and electricity wisely by monitoring consumption.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The town council's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The town council has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The town council establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

15. Risk management (continued)

The town council does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The town council defines counter parties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counter parties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2021	2020
	N\$	N\$
Trade and other receivables from exchange transactions (cost)	7 288 574	5 100 296
Cash and cash equivalents	7 135 703	6 726 582
Maximum Credit and Interest Risk Exposure	14 424 277	11 826 878

16. Going concern

Management considered the following matters relating to the Going Concern:

(i) Strict daily cash management processes are embedded in the town councils 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 Oniipa is

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

TOWN COUNCIL OF ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

17. Events after the reporting date

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