



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONIIPA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Published by authority

Price (Vat excluded) N\$ 82.00

Report no: 53/2024

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Oniipa for the financial year ended 30 June 2022 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, June 2024

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

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF ONIIPA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Town Council of Oniipa for the financial year ended 30 June 2022, 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 2022, 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 Provision for restoration-sand quarry

Non- Compliance with IPSAS 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.

Recommendation

It is recommended that where an outflow of resources will be required to settle an obligation, the Council should ensure provisions are recognized.

2.2 Investment in associates

The Council disclosed in its notes to the financial statements, that it has investment in NORED; however omitted to disclose the value of the investment.

Recommendation

It is recommended that the Council ensures that complete and accurate disclosures are made to avoid misstatement of the financial statements.

2.3 Inventory

It was observed that the Council did not include the water in the pipes at year end in the inventory balance as required by IPSAS 12 (para.17), which states that Inventories shall be measured at the lower of cost and current replacement cost where they are held for: (a) Distribution at no charge or for a nominal charge.

Recommendation

It is recommended that the Council account for inventory in line with IPSAS 12. The Council should include Inventory in the pipes in the financial statements and account for inventory at the lower of cost and net realisable value as indicated in its accounting policies.

2.4 Open lands (Un-serviced)

It was observed that the un-serviced land was not recognised in the financial statements as at 30 June 2022. No valuation certificates for open land were obtained from Council, as a result auditors have not obtained reasonable assurance that property, and plant and equipment are fairly stated.

Recommendation

It is recommended that the Council should record and disclose all un-serviced land in the financial statements.

2.5 Cash and cash equivalents

A difference amounting to N\$ 74 600 was observed between the bank statement (N\$9 461 948) and bank confirmation of (N\$ 9 537 308).

Recommendation

The Council is recommended to ensure that reconciliations are done on a regular basis to avoid misstatement of the financial statements.

2.6 Cash flow

A material variance amounting to N\$ 1 014 808 was observed between the cash flow statement and the auditor's recalculation.

Recommendation

It is recommended that the Council ensures that the cash flow statement is performed in line with IPSAS 2, whereby non-cash items are appropriately adjusted.

Furthermore, it is recommended that Council ensure that bank overdrafts are accounted for as part of cash and cash equivalents.

2.7 Receivables from exchange transactions.

Receivables from exchange transactions amounting to N\$ 1 976 585 could not be verified as no supporting documents (Accounts detailed ledger and age analysis) were not provided for audit purpose.

Recommendation

It is recommended that the Council ensures that all supporting documents are provided for audit purpose.

2.8 VAT receivables

A difference amounting to N\$ 129 109 was observed between the annual financial statements (N\$ 246 721) and NAMRA statements (N\$ 117 612).

Recommendation

The Council is recommended to ensure that VAT is properly reconciled.

2.9 IPSAS 23: Revenue from exchange transactions: gifts and donations including in kind.

2.9.1 Exemption of audit fees

The office of the Auditor-General exempted Local Authorities from paying audit fees from 2021/2022 to 2023/2024 financial years (5years).

It was observed that the Council did not disclose revenue from exchange transaction gifts and, donations, including goods in kind for exemptions on audit fees in compliance with IPSAS 23 paragraph 95 which states the following:

“Gifts and donations (other than services in-kind) are recognised as assets and revenue when it is probable that economic future economic benefit or services potential will flow to the entity and can be measured reliably”.

Recommendation

It is recommended that the Council should ensure compliance with IPSAS 23.

2.9.2 Service charges (rates and taxes)

It was observed that incorrect tariffs were charged on water, sewerage and refuse during the year under review.

Recommendation

The Council is recommended to ensure that rates and taxes are accurately charged and captured on the system as per approved tariffs.

2.10 Deposits received- sales of erven installments

Detailed test could not be carried out as the Deposit Received listing amounting to N\$ 1 617 978 provided is not detailed enough to aid in sampling as the received list only comprises of payment made, however details such as the name of the customers, the respective balance as at year end has been omitted.

Recommendation

It is recommended that the Council should ensure that all balances recorded in the financial statement are supported by a detailed listing.

The Council is further recommended that all listing should be prepared in comprehensive manner detailing the respective customer name, the erven in question and the balance deposit on the erven to date.

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. 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 plan in place, however the annual plan and performance reviews were not submitted for audit. The auditors were thus unable to conduct an audit on Key Performance information, to assess whether targets were achieved as set out in the strategic plan.

Recommendation

It is recommended that the Council ensures that annual plans and reviews are submitted for audit purposes. It is further recommended that departments are held accountable to achieve departmental goals.

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 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.

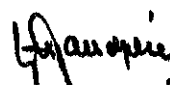
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes 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 16th October 2023 instead of 30 September 2022 in terms of Section 87(1) of the Local Authority Act, 1992, whilst an extension of three months was granted to Oniipa Town Council.

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.



JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL

WINDHOEK, June 2024

ANNEXURE A

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

	2022	2021
Note	N\$	N\$
Current Assets	11 901 775	10 883 118
Cash and cash equivalents	11 9 461 948	7 135 703
VAT receivable	12 246 721	801 722
Receivables from exchange transactions	13 1 976 585	2 706 997
Inventories	14 216 521	238 696
Non-Current Assets	46 173 050	46 561 355
Property, plant and equipment	16 46 173 050	46 561 355
Total Assets	58 074 825	57 444 473
Liabilities		
Current Liabilities	5 950 321	7 133 350
Payables under exchange transactions	15 5 898 690	6 953 985
Payables from Non- exchange transactions	51 631	-
Bank overdraft	11 -	179 365
Accumulated surplus	52 124 504	50 311 123
Total assets and liabilities	58 074 825	57 444 473

ANNEXURE B

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

	Note	2022 N\$	2021 N\$
Revenue from non-exchange transactions		8 260 648	13 298 714
Taxation revenue		195 478	128 342
Property rates		165 478	128 342
Fines		30 000	-
Transfer revenue		8 065 170	13 170 372
Transfers from government and related entities	2	8 065 170	13 170 372
Revenue from exchange transactions		18 938 133	17 426 036
Sale of Erven		1 181 042	1 679 014
Service charges	3	14 128 864	12 145 242
Rendering of services		199 306	247 610
Surcharges and interest		511 008	509 859
Lease/Occupational rent	4	1 527 266	1 619 990
Licences and permits		90 535	93 638
Miscellaneous other revenue		1 428	-
Other revenue	5	223 928	182 283
Interest earned	6	861 550	724 888
Sundry income		213 206	216 223
Gain on disposal of assets and liabilities		-	7 289
Total revenue		27 198 781	30 724 750
Expenses		25 362 689	25 583 373
Bulk purchases	7	7 882 977	6 287 756
Employee costs	8	7 577 803	7 466 895
Remuneration of councilors	9	510 692	478 400
Depreciation and amortisation expense		2 906 307	2 777 247
Repairs and maintenance		868 109	1 177 946
Contracted services		393 659	575 922
Debt impairment		812 737	1 311 468
General Expenses	10	4 410 405	5 507 739
Surplus for the year		1 836 092	5 141 377

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

	<u>Accumulated surplus</u>	<u>Total net assets/ equity</u>
	N\$	N\$
Balance at 01 July 2020	45 169 746	45 169 746
Changes in net assets/equity		
Surplus for the year	5 141 377	5 141 377
Total changes	<u>50 311 123</u>	<u>50 311 123</u>
Opening balance as previously reported adjustment	50 311 122	50 311 122
Prior year adjustments	(22 710)	(22 710)
Balance at 01 July 2021 as restated*	50 288 412	50 288 412
Changes in net assets/equity		
Surplus for the year	1 836 092	1 836 092
Total changes	1 836 092	1 836 092
Balance at 30 June 2022	<u>52 124 504</u>	<u>52 124 504</u>

ANNEXURE D

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

	Note	<u>2022</u>	<u>2021</u>
		N\$	N\$
Cash flows from operating activities			
Surplus		1 836 092	5 186 585
Adjustment for:			
Depreciation and amortisation expense		2 906 307	2 777 247
Loss on sale of assets and liabilities		-	(7 289)
Debt impairment		812 737	1 311 468
Direct adjustments to net assets (cash)		(22 706)	-
Changes in working capital:			
Inventories		22 175	(117 432)
Receivables from exchange transactions		730 412	(444 725)
Debt impairment		(812 737)	(1 311 468)
Payables under exchange transactions		(1 055 299)	497 152
VAT		555 001	(432 086)
Taxes and transfer payable (non-exchange)		51 631	-
Net cash flows from operating activities		<u>5 023 613</u>	<u>7 459 452</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(2 518 002)	(7 200 820)
Proceeds from sale of property, plant and equipment	16	-	16 330
Net cash flows from investing activities		<u>(2 518 002)</u>	<u>(7 184 490)</u>
Net increase/(decrease) in cash and cash equivalents		2 505 611	274 962
Cash and cash equivalents at the beginning of the year		<u>6 956 338</u>	<u>6 726 582</u>
Cash and cash equivalents at the end of the year		<u>9 461 949</u>	<u>7 001 544</u>

ANNEXURE E

**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\$	
Statement of Financial Performance					
Revenue					
Revenue from non-exchange transactions	14 554 231	14 554 231	8 260 648	6 293 583)	
Taxation revenue	1 130 000	1 130 000	195 478	(934 522)	
Property rates	1 000 000	1 000 000	165 478	(834 522)	R1
Illegal connections	60 000	60 000	30 000	(30 000)	
Other taxation revenue	70 000	70 000	-	(70 000)	
Other revenue	13 424 231	13 424 231	8 065 170	(5 359 061)	
Transfer from other government entities	13 424 231	13 424 231	8 065 170	(5 359 061)	R2
Revenue from exchange transactions	24 081 881	24 081 881	18 938 133	(5 143 748)	
Sale of erven	4 000 000	4 000 000	1 181 042	(2 818 958)	R3
Service charges	13 549 058	13 549 058	14 128 864	579 806	R4

ANNEXURE E

TOWN COUNCIL OF ONIIPA
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\$	
Rendering of services	330 000	330 000	199 306	(130 694)	R5
Royalty income	600 000	600 000	511 008	(88 992)	
Lease/Occupational rent	1 963 931	1 963 931	1 527 266	(436 665)	R6
Licences and permits	100 000	100 000	90 535	(9 465)	R7
Miscellaneous other revenue	2 238 892	2 238 892	1 428	(2 237 464)	
Other revenue	290 000	290 000	223 928	(66 072)	R8
Interest revenue	700 000	700 000	861 550	161 550	R9
Other income	310 000	310 000	213 206	(96 794)	R10
Total revenue	38 636 112	38 636 112	27 198 781	(11 437 331)	

ANNEXURE E

**TOWN COUNCIL OF ONIIPA
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	(33 776 567)	(33 776 567)	(25 362 689)	8 413 878	
Bulk purchases	(6 000 000)	(6 000 000)	(7 882 977)	(1 882 977)	R11
Employee costs	(8 472 247)	(8 472 247)	(7 577 803)	894 444	R12
Remuneration of councilors	(510 686)	(510 686)	(510 692)	(6)	R13
Depreciation and amortisation expense	-	-	(2 906 307)	(2 906 307)	R14
Repairs and maintenance	(1 052 400)	(1 052 400)	(868 109)	184 291	R15
Contracted Services	(588 000)	(588 000)	(393 659)	194 341	R16
Debt impairment	(150 000)	(150 000)	(812 737)	(662 737)	R17
General Expenses	(17 003 234)	(17 003 234)	(4 410 405)	12 592 829	R18
Operating surplus	4 859 545	4 859 545	1 836 092	(3 023 453)	
Surplus before taxation	4 859 545	4 859 545	1 836 092	(3 023 453)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	4 859 545	4 859 545	1 836 092	(3 023 453)	

ANNEXURE E

**TOWN COUNCIL OF ONIPA
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

R2: A government transfer of N\$ 1 058 767 for capital project subsidy and N\$ 3 040 542 for compensation was not transferred from the line Ministry due to limited funds available

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

R4 & 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 the downturn of economy in general, high unemployment and COVID-19 impact

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

R17: under budget provision made

**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 2022. The Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2023 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 ONIPA
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 ONIIPA
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 ONIPA
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 ONIIPA
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, it's 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 ONIIPA
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 ONIPA
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 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****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)

1.12 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 ONIIPA
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

ANNEXURE F

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

	2022	2021
	N\$	N\$
2 Transfers from government and related entities	8 065 170	13 170 372
Operating grants :	3 231 936	3 065 830
Road fund and administration (RFA)	731 936	915 830
Government subsidy	2 500 000	2 150 000
Capital grants:	4 833 234	10 104 542
GRN- Capital projects	4 833 234	7 304 542
Government grant (Office construction)	-	800 000
Government grant (Capital)	-	2 000 000
3 Service charges	14 128 864	12 145 242
Service charges	230 220	193 118
Sale of water	12 931 835	11 512 782
sewerage and sanitation charges	351 291	262 280
Refuse removal	615 518	177 062
4 Rental of facilities and equipment	1 527 266	1 619 990
Rental income- ATM/Kiosk	-	36 391
Lease/occupational rent	1 480 893	1 520 068
Rental of other facilities	23 043	-
Rental of equipment	23 330	63 531
5 Other revenue	223 928	182 283
Supply of building sand and gravel	158 303	126 570
Electricity sales (prepaid)	65 625	55 713
6 Interest earned	861 550	724 888
Bank	224 184	218 968
Interest charged on trade and other receivables	637 366	505 920
7 Bulk purchases	7 882 977	6 287 756
Water	7 882 977	6 287 756

TOWN COUNCIL OF ONIIPA

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

	2022	2021
	N\$	N\$
8 Employee related costs	7 577 803	7 466 895
Basic	4 263 436	3 823 223
Bonus	(498 041)	306 797
Medical aid-company contribution	918 332	836 791
Social Security	22 267	21 226
WCA (Workshipman Compensation Assessments)	10 061	4 110
Leave pay provision charge	680 793	219 834
Defined contribution plans	808 015	797 614
Overtime payments	69 932	20 092
Car allowance	401 779	405 723
Housing benefits and allowances	866 429	993 085
Cellphone allowances	27 600	31 200
Standby allowance	7 200	7 200
Chief Executives	669 369	808 205
Annual remuneration	255 424	345 805
Car allowance	77 026	102 701
Bonuses	24 014	-
Contribution to UIF, Medical and Pension fund	102 323	174 686
Other allowances	210 582	185 013
Other Executives	1 004 615	1 031 383
Annual remuneration	501 499	497 944
Car allowance	156 303	145 618
13th Cheque	57 800	31 838
Contribution to UIF, Medical and Pension Funds	138 736	164 118
Other allowance	150 277	191 865
9 Remuneration of councilors	510 692	478 400
Mayor	77 500	77 500
Deputy Mayor	69 757	69 757
MC Chairperson	72 333	72 333
Other Council members	263 502	231 210
Cellphone allowance	27 600	27 600

ANNEXURE F

TOWN COUNCIL OF ONIIPA

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

	2022	2021
	N\$	N\$
10 General expenses	4 410 405	5 507 739
Other expenses	261 889	1 661 359
Advertising	50 749	43 540
Bank charges	193 713	175 311
Entertainment Cost	45 443	47 491
Cleaning	34 822	38 919
Consulting and professional fees	174 863	81 838
Electricity	546 735	648 897
Fuel and oil	375 236	295 380
IT expenses	11 574	30 039
Insurance	183 182	161 043
Motor vehicle expenses	252 282	222 211
Other expenses	1 378 744	1 536 421
Promotional materials	67 441	5 000
Postage and courier	172 265	150 970
Printing and stationery	67 889	84 315
Protective clothing	46 761	44 791
Telephone and fax	56 805	89 439
Tourism development	800	400
Training	257 185	47 294
Travel - local	232 027	143 081
11 Cash and cash equivalents	9 461 948	6 956 338
Cash and cash equivalents consist of:		
Cash on hand	952	280
Bank balances	117 441	-
Short-term deposits	9 343 555	7 135 423
Bank overdraft	-	(179 365)
Cash and cash equivalents	9 461 948	6 956 338
Current assets	9 461 948	7 135 703
Current liabilities	-	(179 365)

ANNEXURE F

TOWN COUNCIL OF ONIPA

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

	2022	2021
	N\$	N\$
12 VAT receivables	246 721	801 722
13 Receivables from exchange transactions	1 976 585	2 706 997
Trade debtors	1 876 235	2 611 152
Prepayments (if material)	6 500	-
Sundry debtors	93 850	95 845
14 Inventories		
Consumables stores	216 521	238 696
15 Payables under exchange transactions	5 898 690	6 953 985
Trade payables	1 605 593	1 967 193
Payments received in advanced	-	387 326
Leave provisions	845 072	971 118
Accrued bonus	137 859	-
Deposits received	3 293 581	1 469 428
Deposits	-	1 978 056
Suspense	-	180 864
Other creditors	16 585	-

* (Note 3) 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.

* (Note 4) Rental revenue earned on lease/occupational of residents in informal area set up and AT/Kiosk rent.

* (Note 7) 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.

* (Note 8) The total remuneration for the Chief Executive Office for 2022 is lower than for 2021 because the position has been vacant from April 2022 to the end of the financial year. Council appointed a staff member to act during the position was vacant.

TOWN COUNCIL OF ONIIPA

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

* (Note 11) 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

*(Note 12) VAT is payable in terms of section 7 of the Value-Added-Tax Act. VAT is payable/receivable on receipt of an invoice or payment whichever is the earlier.

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

* (Note 13) 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 2022 receivables from exchange transactions were impaired and fully provided for N\$ 812 737(30 June 2021: N\$ 1 311 468).

*(Note 14) 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 of the town council.

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

16. Property plant and equipment

	2022		2021	
	N\$	N\$	N\$	N\$
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
	N\$	N\$	N\$	N\$
Land	3 739 240	-	3 739 240	2 466 146
Buildings	21 087 065	(722 767)	20 364 298	21 683 009
Furniture and fixtures	774 872	(106 096)	668 776	977 080
Motor vehicles	2 230 653	(513 224)	1 717 429	4 441 193
Office equipment	113 564	(46 715)	66 849	364 687
IT equipment	155 480	(36 667)	118 813	199 813
Infrastructure	20 072 859	(1 378 987)	18 693 872	22 316 214
Community	55 125	(60)	55 065	-
Other property plant and equipment	-	(101 791)	(101 791)	-
Work in progress	73 249	-	73 249	4 025
Other property plant and equipment	777 250	-	777 250	902 509
	49 079 357	(2 906 307)	46 173 050	53 354 676
				(6 793 321)
				46 561 355

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

16. Property plant and equipment (continued)
Reconciliation of property plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Land	2 466 146	1 273 094	-	3 739 240
Buildings	20 952 833	134 232	(722 767)	20 364 298
Furniture and fixtures	764 688	10 184	(106 096)	668 776
Motor vehicles	2 230 653	-	(513 224)	1 717 429
Office equipment	113 565	-	(46 716)	66 849
IT equipment	88 872	66 608	(36 667)	118 813
Infrastructure	19 202 747	870 111	(1 378 986)	18 693 872
Community	-	55 125	(60)	55 065
Other property plant and equipment	-	-	(101 791)	- 101 791
Work In Progress	4 025	69 224	-	73 249
Other property plant and equipment	737 826	39 424	-	777 250
	46 561 355	2 518 002	(2 906 307)	46 173 050

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

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

	Opening balance	Additions	Disposal	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
Capital 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 ONIPA
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)

17. 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 debtor's 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 ONIIPA**NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (continued)**

17. 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)

17. 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:	2022	2021
	N\$	N\$
Trade and other receivables from exchange transactions (cost)	6 815 898	7 288 574
Cash and cash equivalents	9 461 948	7 135 703
Maximum Credit and Interest Risk Exposure	16 277 846	14 424 277

18. 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.

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

(iii) The Oniipa Town Council

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

19. Events after the reporting date

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