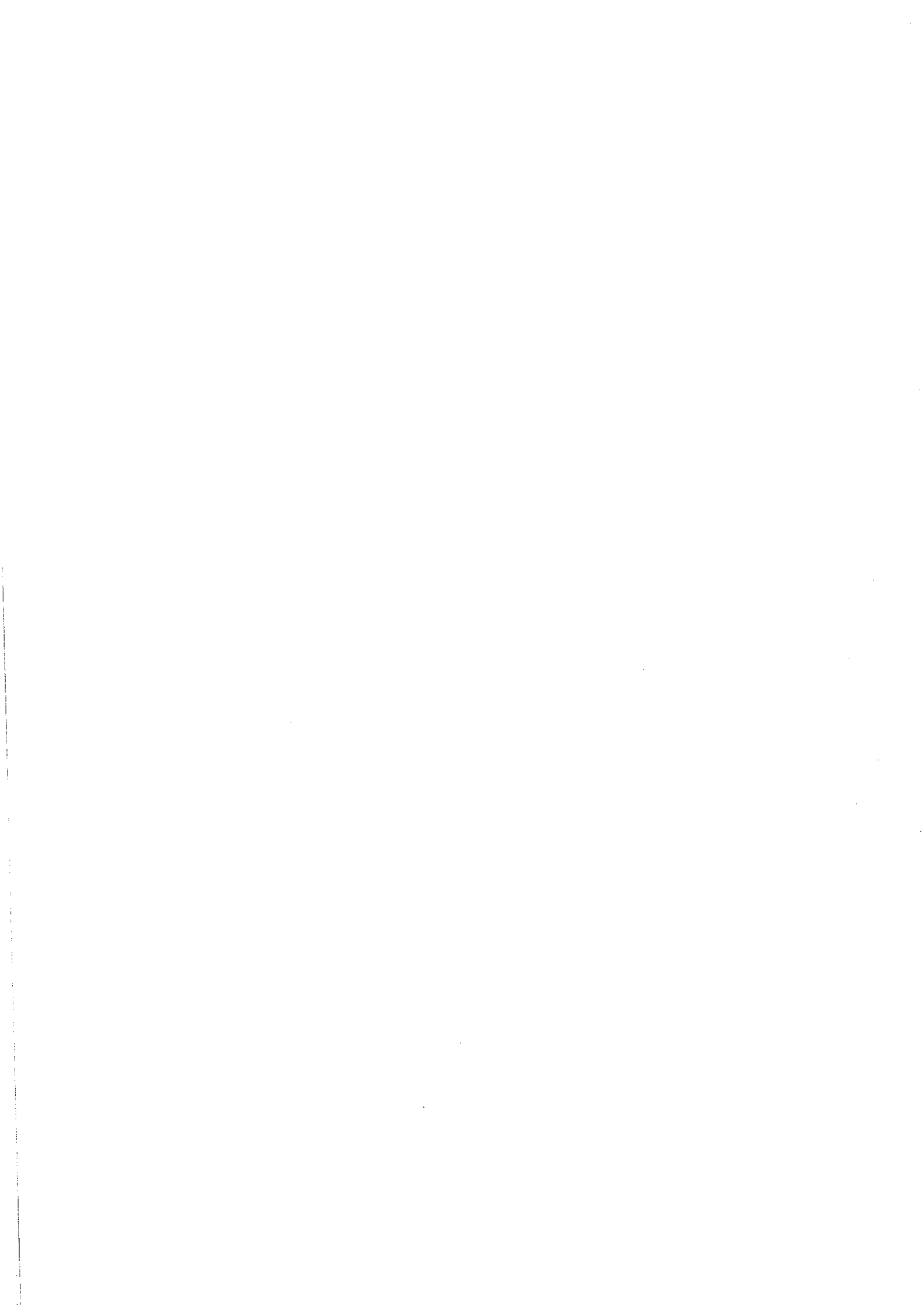




REPUBLIC OF NAMIBIA



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





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 Oranjemund 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.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, October 2023

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

1. ADVERSE OF AUDIT OPINION

I have audited the financial statements of the Oranjemund Town Council for the financial year 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 comprehensive income, statement of changes in equity, statement of cash flows and notes to the annual financial statements for the years then ended including a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Oranjemund Town Council and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE OF 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 in Namibia, 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. An adverse audit opinion is being expressed due to the following:

2.1 PROPERTY, PLANT & EQUIPMENT

A difference of N\$ 16 240 931 was observed between the reconciliation of property, plant and equipment closing balance (N\$ 76 669 804) 2021 and reconciliation of property, plant and equipment opening balance of (N\$ 60 428 873) 2022.

In addition, the audit noted that items of property, plant and equipment with the net book value of N\$ 424 718 391, donated in 2018 by NAMDEB to the Town Council, were not recorded in the Council's fixed asset register neither recognised in the Statement of financial position.

Recommendations

It is recommended that the Council ensures that closing balances are correctly brought forward.

In addition, it is recommended that the Council record all donated assets in the Fixed Asset Register as well as in the Statement of Financial Position.

2.2 CASH FLOW STATEMENT

The auditors observed that the cash flow statement does not comply with the presentation and disclosure requirements as outlined in IPSAS 2. A difference amounting to (N\$ 140 267 259) was noted on the figures presented by the Town Council. (Areas affected are reconciliation of cash generated by operating activities and additions to property, plant and equipment).

Recommendation

It is recommended that the Council ensure that the cash flow statement complies with the presentation and disclosure requirements as per IPSAS 2.

2.3 PROVISION FOR DUMP SITE

*This matter is a recurring matter from previous years where the Council did not make provision for a dumping site for its rehabilitation and restoration after its useful life, in accordance to IPSAS 19, paragraph 27 which states the following:

“It is only those obligations arising from past events existing independently of an entity’s future actions (that is, the future conduct of its activities) that are recognized as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage imposed by legislation on a public sector entity. Both of these obligations would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of that public sector entity. Similarly, a public sector entity would recognize a provision for the decommissioning costs of a defence installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused”

Recommendations

It is recommended that the Council make provision for dumpsite as required by IPAS 19.

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 Oranjemund. Town Council.

4. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, do 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.

5. AUDIT OF KEY PERFORMANCE INFORMATION (KPIs)

The audit noted that the strategic objectives and key performance indicators are not correctly cascaded from the Strategic Plan to the Annual Implementation Plan. The objectives and key performance indicators in the Strategic Plan are general instead of specific and it was difficult for the auditors to establish how the results/outcomes will be measured over the 5-year strategic review period.

The Annual Implementation Plan did not outline the planned activities which would be carried out to achieve the target outcome. The key performance measures were not well defined, thus the auditors could not verify the planned outputs against the actual achievements as reported in the Strategic Review Report.

Furthermore, there were changes noted in the key performance measures at the Strategy Review Report Stage which were not documented in the Strategic Plan. As a result, the results in the Strategy Review Report could not be linked back to the Strategic Plan and Annual Implementation Plan.

Recommendation

It is recommended that the Council ensures that strategic objectives are correctly cascaded from the Strategic Plan to the Annual Implementation Plans and Strategy Review Reports and that reporting on performance information is done in the manner as required by PSM Circular No 9 of 2015.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting (IPSAS) and legislations for 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 a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

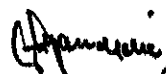
8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements were submitted by the Accounting Officer to the Auditor-General in terms of Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

9. ACKNOWLEDGEMENT

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

WINDHOEK, October 2023



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

ORANJEMUND TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

		2022	2021
	Note	N\$	N\$
ASSETS			
CURRENT ASSETS			
		121 806 320	102 715 451
Inventories		777 279	1 223 081
Account receivables	14	14 941 741	18 447 471
Cash & Cash equivalents	15	99 033 836	80 898 855
VAT receivable		6 826 819	2 101 235
Prepayments		226 645	44 809
NON-CURRENT ASSETS			
Property, plant and equipment	19	157 539 907	60 427 712
Investment properties		*147 213 007	60 427 712
		10 326 900	-
TOTAL ASSETS		279 346 227	163 143 163
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
		15 801 821	3 263 707
Account payables	16	12 336 848	239 186
Consumer deposit	17	1 948 694	1 807 700
Leave provision – current portion		260 795	239 425
Other creditors	18	1 255 484	977 396
NON CURRENT LIABILITIES			
Leave provision		1 314 322	1 084 722
NET ASSETS			
Accumulated Surplus /Deficit		262 230 084	158 794 736
TOTAL NET ASSETS AND LIABILITIES		279 346 226	163 143 165

*Amount does not agree to note 19. A difference of N\$ 216 190 was observed.

ANNEXURE B

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

	2022	2021
Note	N\$	N\$
REVENUE FROM NON-EXCHANGE TRANSACTIONS	127 313 854	89 791 827
Service charges	5 57 585 933	54 419 635
Rental income	6 54 140 408	26 395 688
Interest received	3 160 352	2 790 941
Other revenue	7 12 427 161	6 185 563
REVENUE FROM NON-EXCHANGE TRANSACTIONS	18 214 394	20 686 934
Property rates and taxes	6 766 976	6 498 919
Government & other departments- transfers	8 11 425 191	14 181 780
Fees, fines and certificates	9 22 227	6 235
TOTAL REVENUE	145 528 248	110 478 758
EXPENSES	83 785 904	71 548 932
Employee costs	10 13 582 325	12 927 048
Councilor's remuneration	477 919	479 860
Depreciation	11 240 012	5 096 664
Regional Council 5% Levy	338 349	240 324
Increase in allowances for doubtful debts	-	15 805 806
Repairs and maintenance	11 3 332 820	3 658 483
Legal costs	12 12 467 303	105 011
General expenses	12 42 096 207	32 822 038
Leave provision contribution	13 250 969	413 697
SURPLUS FOR THE YEAR	61 742 344	38 929 826

ANNEXURE C

ORANJEMUND TOWN COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

	Accumulated Surplus/Deficits
	N\$
Balance as at 1 July 2020	122 711 574
Changes in accounting policies errors and corrections	(2 846 665)
Reinstated balance	119 864 909
Surplus/Deficit for the period	38 929 827
Balance as at 1 July 2021	158 794 736
Changes in accounting policies errors and corrections	41 693 005
Reinstated Balance	200 487 741
Surplus/Deficit for the period	61 742 343
Balance as at 31 June 2022	262 230 084

ANNEXURE D

ORANJEMUND TOWN COUNCIL

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

		2022	2021
	Note	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus /Deficit for the year		54 762 062	31 072 054
Non-cash items and changes in working capital		43 183 063	38 929 827
	20	11 579 000	(7 857 773)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property plant equipment	19	(36 627 082)	(12 460 849)
		(36 627 082)	(12 460 849)
Net increase/decrease in cash and cash Equivalent		18 134 981	18 611 205
Cash and Cash Equivalent at the beginning of the year	15	80 898 855	62 287 650
Cash and Cash Equivalent at the end of the year		99 033 836	80 898 855

ANNEXURE E

ORANJEMUND TOWN COUNCIL
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	2022		
	N\$		
	Budgeted amount	Actual amount	Variance
Receipts			
Receipts from Exchange Transactions	171 210 141	127 313 852	(43 896 289)
Service charges	151 404 432	57 585 933	(93 818 499)
Rental income	10 275 000	54 140 407	43 865 407
Interest received	2 500 000	3 160 352	660 352
Other revenue	7 030 709	12 427 160	5 396 451
Receipts from Non-exchange transactions	21 647 600	18 214 394	(3 433 206)
Property rates and taxes	6 700 000	6 766 976	66 976
Government & other departments-transfers	14 924 600	11 425 191	(3 499 409)
Fees fines and certificates	23 000	22 227	(773)
TOTAL REVENUE	192 857 741	145 528 246	(47 329 495)
			-
Payments	93 484 340	83 785 904	21 189 417
Employee costs	19 729 927	13 582 325	6 147 602
Councillors remuneration	750 000	477 919	272 081
Depreciation	-	11 240 012	-
Regional Council 5% levy	335 000	338 349	(3 349)
Repairs and maintenance	7 923 781	3 332 820	4 590 961
Legal costs	5 800 000	12 467 303	(6 667 303)
General expenses	58 945 632	42 096 207	16 849 425
Leave provision contribution	-	250 969	-
Capital expenditures	99 373 401	61 742 342	(68 518 912)
Net Receipts/(Payments) from operating activities	-	61 742 343	-

ORANJEMUND TOWN COUNCIL
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (Continued)

1.1 Variance Analysis

1.1.1 Service Charges

This are monthly services charge aligned to the annual developmental plan of Council e.g. completing of land servicing , construction of fire station which will result in an increase in properties in town and increase in servicing charges. Due to financial constraints, most of the developmental could not be completed as planned.

1.1.2 Rental Income

The dispute of occupational rent charges to NAMDEB on land where their properties are on was finalised. The parties entered into a settlement agreement, hence the charges were paid.

1.1.3 Interest received

Council received more funds than anticipated.

1.1.4 Other Revenue

More funds were generated from the other revenue than anticipated. The key contributing charges are electricity connections and hire of machineries.

1.1.5 Property rates and Taxes

The unlocking of the properties sales transaction between NAMDEB and OTC has allowed residents to own properties, hence an increase in the rates and taxes charges.

1.1.6 Government & other departments-transfers

Budget cut

1.1.7 Fees, fines and Certificates

This are fees that are based on past experiences and future anticipation/prediction.

1.1.8 Employee cost

All budgeted positions to be filled were not filled and some were filled in the middle of the year.

1.1.9 Remuneration for Councilors

Proposed increase in Councilor's allowances was not approved by the Line ministry and the Deputy Major position was not filled during the year under review.

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

1.1.10 Regional Council 5% Levy

The unlocking of the properties sales between Council and NAMDEB resulted in more property ownership by residents and hence increased the rates and taxes charges.

1.1.11 Increase in allowance for doubtful debts

NAMDEB settled the occupational rent charges that dominated the debtor's age analysis.

1.1.12 Repair and Maintenance

The renovation of Council building never took place during the year under review.

1.1.13 Legal costs

This was attributed to many legal disputes with the major ones of conveyancing fees and unlocking of land sales of NAMDEB improvements.

1.1.14 General expenses

Most activities did not take place as planned due to either procurement restriction/ process, capacity and limited staff establishment.

1.1.15 Capital expenditure

Most activities did not take place as planned due to either procurement restriction/process, capacity and limited staff establishment.

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to F, the accounting Policies for Oranjemund Town Council have been prepared in accordance with International Public Sector accounting Standards (IPSASs), previously prepare its financial statements according to the industry standard. Where there is no specific guidance in the Standard, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision-making needs of users; and reliable, in that the financial statements.
- Represent fairly the financial position, financial performance and cash flows on the entity;
- Reflect the economic substance of transactions, over events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent
- Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets, equity, and liabilities held and incurred during the financial year under review.

The Accounting policies of the Council are updated regularly to reflect any changes in IPSASs, Local Authority Act, State Finance Act and Treasury Instruction, other changes in statute impacting on the authority's accounts.

The accounting Policies of the Council as far as possible have been developed to ensure that that the accounts of the Council are understandable, relevant, free from material error or misstatement ,reliable and comparable.

The document has been divided into three distinct categories which are Accounting Principles, Capital and Revenue Accounting.

This document outlines how the Council will account for all income, expenditure, assets, equity, and liabilities held and incurred during the financial year under review. The Accounting policies of the Council are updated regularly to reflect any changes in IPSASs, Local Authority Act, State Finance Act and Treasury Instruction, other changes in statute impacting on the authority's accounts.

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

1. ACCOUNTING POLICIES (continued)

The accounting policies of the council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

The document has been divided into three distinct categories which are Accounting Principles, Capital and Revenue Accounting.

2. ACCOUNTING PRINCIPLES

2.1 Going concern

The Council prepares its account on the basis that it remains a going concern; that an organization will continue to operate in a feasible future.

2.2 Accrual concepts

The Council accounts for income and expenditure in the period to which the service has taken place rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Statement of Financial Position. Equally where cash has been received or paid which is not yet recognised as income or expenditure a payable (income in advance) or receivable (payment in advance) is recorded in the statement of Financial Position.

2.3 Value added Tax

VAT collected is payable to Ministry of Finance. Any amounts outstanding (payment or receipt) at the year -end date is held as a creditor or debtor after netting off the amounts either due or owed. Amount owed/receivable at the date of an audit may not balance with Receiver of Revenue figures because of different accounting concept that the government is using.

2.4 Changes in Accounting Policy Error and corrections

Where there is a known future change in accounting policy in terms of IPSAS 3 the Council will disclose the followings in the notes to the accounts in the notes the Council should provide:

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

1. ACCOUNTING PRINCIPLES (continued)

2.4 Changes in Accounting Policy Error and corrections (continued)

- The reason why applying the new accounting policy provide reliable and more relevant information.
- If retrospective application is impractical for the particular period prospective application for new accounting policies for transaction event or other circumstances is applied.

Errors include the effects of mathematical mistakes misunderstanding in applying accounting policies over sightings and misinterpretations of facts.

Where those errors are thought to be significant an adjustment will be entered into financial statements comparative balances as restated figures.

Errors which are found and not significant will not result in prior year adjustment and will be corrected as a current year entry. In addition errors as a result of information which was not known to the Council could not have reasonably been determined when Financial Statements were authorized for issue will be corrected in the current year and accumulated profit/loss will be reinstated.

2.5 Unidentified income

All unidentified income received is initially recorded to an income suspense account. Monthly updates of the content of the suspense accounts are circulated to the Finance manager to ensure the balances are cleared as possible. Any items of revenue not cleared at year end will be treated as sundry revenue.

2.6 Events after reporting period

Where there is a material post balance sheet event before the date the accounts are authorized for issue a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

2.7 Contingent Assets and Liabilities

A Contingent liabilities arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

2. ACCOUNTING PRINCIPLES (continued)

2.7 Contingent Assets and Liabilities (continued)

Outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognized in the Statement of financial Position but disclosed in a note to the account

A contingent assets arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognized in the Statement of Financial Position but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

2.8 Cash and cash Equivalent

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of changes in the value.

Overdraft are reported under current liabilities in the Statement of Financial Position .On the statement of Cash Flow only the net will be disclosed under cash and cash equivalent in the Statement of cash flow Statement.

Accounting for consumer deposit and employee benefit provision.

Consumer deposit is accounted under current liabilities because Account receivable to which the account is related to is accounted under current asset.

Provision for employee benefit is accounted under Non-current liabilities this is because Oranjemund Town Council will continue to exist in a near feasible future (going concern) hence which employees where are known employees who will retire or resign in the next 12 months this will be accounted under current liabilities.

2.9 Capital Accounting

2.9.1 Recognition of capital expenditure

Capital expenditure is recognized in terms of IPSAS16: Investment Properties IPSAS17: Property Plant and Equipment and IPSAS 36 (revised): Investment in associate and Joint Venture.

**ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)**

2. ACCOUNTING PRINCIPLES (continued)

2.9.1 Recognition of capital expenditure (continued)

Property Plants and Equipment (PPE) are initially recognized at cost on its acquisition date or in the case of assets acquired by grants or donations deemed cost being the fair value of the asset on initial recognition.

Carrying amount for an item for PPE is determined by cost less accumulated depreciation. The carrying amount of an item of property Plant and Equipment is derecognized on a disposal or when no future economic benefits or services potential are expected from its use or disposal.

Assets are capitalized as from N\$ 1000.

The gain or loss arising from the de recognition of an item of Property plant and Equipment is included in surplus or deficit when the item is derecognized.

Depreciation for Non-current asset is charged as follows:

2.10 Non-Current asset classification and useful life

Land and Building	20 years	5%
Plant and Machinery : Heavy Equipment	10 years	10%
:Air conditioner	8 years	12.50%
:Others	5 years	20%
Computer and Office Equipment	5 years	20%
Motor Vehicles :Category 1	5 years	20%
Category 2	10 years	10%
Furniture Fixtures and Fittings: Category 1	10 years	10%
:Category 2	20 years	5%
:Category 3	5 years	10%
Infrastructure	15 years	9%
Intangible assets (impairment assessments)		

Investment properties

These are items of land and / or building held solely for the purposes of rental income generation or capital appreciation.

Asset owned by the Council which are occupied by employees or other social groups are not to be classified as investment properties.

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

2. ACCOUNTING PRINCIPLES (continued)

2.10 Non-Current asset classification and useful life (continued)

- Assets for sale.

The Council will classify the asset as held for sale where the following condition are met:

1. The asset is in a condition required for sale.
2. The assets sale is highly probable.
3. The completion is expected to be completed with 12 months

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

3. INVESTMENT

Investment include share owned by an organization which do not meet the requirement to be classified as investment in associate in term of IPSAS 36. Investment may also include cash held at the bank which will not be used in the next 12 months.

3.1 Investment properties-IPSAS 16

Investment properties are measured using fair value model, using the gazetted valuation as a model to account for all investment properties. Fair value is time specific as of given date, however the Council opt not to revalue every year but rather to use and amend according to the general valuation and interim valuation.

3.2 Non-Current asset valuation methodology

Non-current asset is initially recorded at cost less accumulated depreciation and impairment. The Council does not carry out market valuation because the cost outweigh the benefit, unless required, example when the asset is to be sold. The Council may also make use of the valuation roll to determine the value for the assets. The Council recognize intangible Assets at cost, revaluation of intangible asset will only be done annually where there a determinable market value for the asset.

Assets that are fully depreciated and still in use are recorded in the Statement of Financial Position at a rate of N\$1. It is up to management discretion to decide whether to do an asset valuation, taking into consideration the cost implications

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

3.3 Impairment of non-current asset

At the end of reporting period the Council may assess whether there is a need for impairment assessment. Considering the benefits and the cost to be incurred.

3.4 Disposal of non-current asset

When the asset is disposed of or decommissioned the net value (Asset book value less receipt from disposal) for the asset in the Statement of Financial Position is written off to the Statement of Financial Performance as part of gain or loss on disposal.

4. REVENUE ACCOUNTING

4.1 Recognition of revenue and expenditures revenue recognition

Revenue is derived from various sources. Revenue comprises the fair value of the consideration received or receivables for the sales of goods and services in the ordinary course of the Council activities. Revenue is shown net of value added tax returns and other discounts.

Revenue from exchange transactions refers to transaction that occurred to Oranjemund Town Council directly in return for service rendered/ goods sold the value of which approximates the consideration received or receivables. The Council adopted accrual accounting hence revenue from exchange transaction is recognized on accrual basis.

Revenue from non-exchange transaction refers to transactions where the Council received revenue from another entity without directly giving approximately equal value in exchange.

4.2 Government grants and other donations

Conditional grants donations and funding's 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. Where the agreement contains a stipulation to return the asset other future economic benefits or service potential in the event of non-compliance to these stipulations and would be enforced by the transferor a liability is recognised to the extent that these criteria conditions or obligations have not been met. Where such requirements are not enforced the requirement to return the transferred asset other future economic benefits or service potential when breaches have occurred the stipulation will be considered as restriction and is recognised as revenue.

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

**ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)**

3. REVENUE ACCOUNTING (continued)

4.3 Borrowing costs

Oranjemund Town Council capitalises borrowing costs incurred that are directly attributable to the acquisition construction or production of a qualifying assets as part of the cost of that assets in accordance with the requirements of IPSAS 5.

Oranjemund Town Council ceases to capitalize borrowing costs when substantially the activities necessary to prepare the qualifying assets for its intended use has been completed.

4.4 Related parties disclosure

Individuals 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 Member Council Members Chief Executive Officer and all other Managers reporting directly to the chief Executive Officer or as designated by the Chief Executive Officer.

4.5 Employee cost

The council account for total benefit earned by employees during the financial year as salaries and wages to the notes. Council members allowances is also recognised separately in the face of Statement of Financial Performance.

4.6 Research and other related cost

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

Notably cost of compensation to land owners is treated as an expenses.

4.7 Provision for doubtful debts

Oranjemund Town Council maintain a provision for any nonpayment at each Balance sheet date where there is need; the Council make an assessment as to whether impairment loss need to be recognized.

4.7 Provision for doubtful debts (continued)

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

The factor to be used will be disclosed in the notes to the annual financial statement. Provision for impairment is only applicable to debtors at 120 days and 120 days plus.

4.8 Inventory for Consumables

Inventory is recognized at the lower of cost, or net realizable value. Inventory is recorded in terms of average cost, with exception to expiry goods which are recognized on the first in, first out.

4.9 Budget information

The annual budget figures have been prepared in accordance with the IPSAS 24. This has to be consistent with the accounting Policies adopted by the Council for the preparation of these Annual Financial Statement. The amounts are scheduled as a separate additional financial statement called the statement of Comparison of Budget and Actual amounts.

Applications

Accounting policies is applicable as from 1 July 2018, and all future financial statements are to be prepared on the basis of this policy.

ANNEXURE F

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

	2022	2021
	N\$	N\$
4. SERVICES CHARGES	57 585 933	54 419 635
Basic charge: sewer (Non-Vat)	2 412 135	2 141 552
Basic Charge: Sewer (Vat)	486 832	360 107
Ecb/Nef Levies	347 648	281 821
Electricity Sales	9 913 053	7 789 734
Electricity basic charges	4 630 800	3 600 624
Electricity disconnection fees	500	-
Electricity pre-paid sales	12 864 298	11 083 887
Electricity Sales (Non-Vat)	265 857	217 076
Fire Brigade Fees	-	2 120
Pre-Paid sales (non-vat)	1 445 800	1 160 163
Refuse removal (non-Vatable)	2 967 463	2 514 323
Refuse removal (vatable)	566 640	439 889
Sale of Erven (No VAT)	482 285	165 872
Sale of Erven (Vatable)	143 726	10 786
Sales of Erven Namdeb Improve	414 139	1 368 261
Water basic (non-VAT)	1 528 555	1 566 627
Water basic (VAT)	484 951	432 839
Water sales	8 591 822	10 000 662
Water sales (non-VAT)	9 764 032	11 164 933
Water sales Prepaid	275 397	118 359
	54 140 408	26 395 688
5. RENTAL INCOME		
Rental community hall	11 159	11 927
Rental - site	503 361	429 198
Occupational rental	53 625 888	25 954 563
	12 427 161	6 185 563
6. OTHER REVENUE		
Asset Disposal	-	500
Bill Boards	12 309	5 121
Building Plan	37 707	30 612
Building Plan Submission Fees	17 400	14 909

ORANJEMUND TOWN COUNCIL

ANNEXURE F

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

	2022	2021
	N\$	N\$
7. OTHER REVENUE(continued)		
Burial fees	1 064	489
Clearance certificate fees	9 637	1 071
Compliance certificate	803	-
Electricity connection Fees	66 868	17 525
Electricity re-connection fee	53 870	10 182
Hire of machinery	224 980	105 221
Interest on arear accounts	9 079 075	2 645 287
Land application form	20	-
Land lease	2 072 150	1 989 521
License - Dogs	17 202	3 577
Miscellaneous	30 597	16 527
Offer to purchase application	-	81
Pegs searching	1 286	226
Penalties	8 000	27 913
Photocopies	4	78
Promotional items	28 114	1 036
Registration/Fitness certificate fees	-	146 426
Removal: garden refuse	15 542	-
Rental - unit	339 850	295 441
Rental Council houses	51 518	47 853
Sales of sand and gravel	-	155 944
Supply of refuse bins	8 904	4 450
Tender document fees	64 300	31 800
Use parks & recreation areas	2 847	-
Valuation certificate	-	309
Waste disposal (Private)	31 936	7 848
Water connection	124 311	507 948
Water disconnection	300	300
Water meter pre-Paid meters	-	435
Water reconnection	126 567	116 933

ANNEXURE F

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

	2022	2021
	N\$	N\$
7. GOVERNMENT & OTHER DEPARTMENTS	11 425 191	14 181 780
MRLGHRD subsidy	3 000 000	6 795 084
National Planning Commission Fund	5 563 976	4 141 527
RFA Contribution	2 861 215	3 245 169
8. FEES, FINES AND CERTIFICATE	22 227	6 235
Illegal connection	12 000	-
Penalties	10 227	6 235
9. EMPLOYEE COST	13 582 325	12 927 048
Car Allowance	456 963	456 963
Cell Phone Allowance	52 460	52 597
Contr/Airtime Allowance	20 400	21 055
Housing Allowance	1 933 743	1 707 308
Medical aid contribution	1 467 049	1 343 382
Overtime	620 872	369 094
Pension Fund Contribution	1 461 217	1 412 310
Salary & Wages	6 710 300	6 703 606
Service Bonus	556 459	563 970
Social security	31 704	32 940
Standby allowances	30 175	8 950
Transport Allowance	240 983	254 874
10. REPAIRS & MAINTANANCE	3 332 820	3 658 483
Building maintenance	81 881	1121
Machines & Equipment	36 166	26 943
Office Equipment	-	2 101
Office Furniture	75	-
Renovations	113 970	28 871
Repairs & Maintenance	2 324 024	2 916 516
Reticulation	4,921	-

ORANJEMUND TOWN COUNCIL

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

	2022	2021
	N\$	N\$
11. REPAIRS & MAINTANANCE (continued)		
Sewerage Line Materials	257	408
Sewerage Pumps	399 657	297 630
Swartkops trickling filter	1 643	-
Tools	-	285
Tyre replacement	95 207	89 541
Vehicle & Trucks	275 019	295 067
	42 096 209	32 822 038
11. GENERAL EXPENSES		
Ad-Hoc consultancy Services	143 281	694 675
Ad-Hoc town planning activities	104 237	332 675
Advertising And Marketing	112 512	315 510
Agricultural Projects	-	13 875
Animal Control	220 400	8 050
Bank Charges	257 150	213 592
Bulk Purchases	26 619 684	18 884 057
Capital Projects From Previous year	88 551	5
Car Hire	-	17 814
Casual laborers	472 469	-
Cleansing materials	75 698	43 964
Community support programmer	3 060	13 319
Computers & Printers	285 877	167 860
Construct of toilet	4 500	-
Construction Of Head Offices	-	17 602
Construction of new houses	89 147	-
Consultancy Services	84 000	10 000
Consultant Fees	136 912	75 240
Contract laborers	-	131 449
Contract workers/voluntary incentives	149 961	-
Conveyance Fees	7 090	-
Council Chambers	-	11 165

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

	2022	2021
	N\$	N\$
12. GENERAL EXPENSES (continued)		
Disater risk management	427 726	34 423
Drawing office filling system	-	1 020
Electricity meters	-	28 696
Emergency response (Volunteers)	-	49 290
Entertainment	75 179	64 223
Environmental health club	-	13 765
Establishment of expo centre	120 000	-
Events	17 202	1 926
Fencing cemetery	239 400	-
Financial System - Sebata	940 191	870 613
Fines & penalties	(3 963)	-
Fuel	832 006	492 064
Hire of machinery	4 240	-
Independence celebrations	4 557	-
Insect & redent control	3 585	-
Insect & Rodent control	-	23 379
Insurance excess	398 814	361 852
Internet And Email	34 374	139 530
Internship incentives	215 268	90 959
Land survey and Eia assessment	-	157 301
Machines and equipment	99 764	10 870
Materials and stores	1 046 628	343 730
Mayoral relieve fund	60 000	16 929
Mayors annual report	13 613	13 613
Meat permits & licenses	(1 725)	-
Medical examination	-	34 718
Merchandise items	18 503	-
Meter reading devices	-	49 204
Municipal associations contract	52 500	52 500
Office furniture & equipment	10 174	11 818
Pets birds/poultry registration	(3 276)	-

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

	2022	2021
	N\$	N\$
12. GENERAL EXPENSES (continued)		
Plant machinery and tools	-	6 465
Plant upgrading	408 546	-
Planting of trees	71 573	7 776
Postage & couriers services	70 180	119 436
Prep of financial statements	230 000	110 000
Pre-paid water meters	123 200	-
Printing and stationary	102 270	106 079
Properties lease	18 785	-
Protective clothing	585 778	150 054
Refuse/ skip bins	(9 584)	-
registration/fitness certificate	(192 930)	-
Renovations	79 246	112 584
Rental/photocopy machine	240 117	154 384
Sale of sand and gravel	(340 495)	-
Sebata license fee	26 852	19 675
Security services	320 403	323 307
Services contract	3 193 961	3 292 964
Service contract: dumpsite Ma	482 400	644 000
Sewer chemicals	31 484	3 281
Sewer plant analysis	10 652	8 181
Shelves	-	2 613
Skip bins & trailer	243 065	215 080
Special projects	-	600
SSC		
Employee compensation	-	94 331
Streets sidewalks & stormwat	100 616	573 272
Telephone	148 013	141 472
Tools & Equioment (Small)	111 413	33 505
Training	253 546	17 846
Travel And subsistence	438 987	239 472
Travel & Subs & Km claims	170 367	112 091
Upgrading of pump stations	(193 414)	-
Upgrading of water lines	(381 396)	424 166

ANNEXURE F

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

	2022	2021
	N\$	N\$
12. GENERAL EXPENSES (continued)		
Valuation roll	74 900	24 750
Vehicle license fees	(1 384)	126 213
Vehicle registration fees	203	1 957
Vendors	808 581	708 381
Volunteers incentives	787 502	761 478
Water abstraction	-	81 847
Water analysis	51 818	80 353
Water chemicals	175 092	143 116
Water distribution	48 692	20 933
Water materials & stores	114 180	42 894
Water Meters	45 097	-
Year-end function	188 603	99 210
Youth development	-	5 000
	250 969	413 697
12. LEAVE PROVISION CONTRIBUTION		
Provision-Leave	229 599	174 272
Provision Bonus	21 370	239 425
	14 941 741	18 447 4710
13. ACCOUNTS RECEIVABLES		
Accounts receivables	21 932 085	51 240 073
Provision For Bad Debts	(6 990 344)	(32 792 603)
	99 033 836	80 898 855
14. CASH AND CASH EQUIVALENTS		
Main Bank	12 420 652	256 295
Call Account - Fnb	8 233 104	9 246 152
Call Account - Bank Whk	1 389 404	1 347 286
Call Account Fnb Toa	72 071 350	63 709 073
Electricity Fnb Curr Acc	3 133 509	4 574 660
Electricity Fnb Call Acc	1 785 817	1 765 389

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

ANNEXURE F

	2022	2021
	N\$	N\$
15. ACCOUNTS PAYABLES	12 336 848	239 186
Creditors Accrued	3 616 553	239 186
Accrual Kishi Shakumu	5 825 989	-
Accrual NAMDEB	2 894 306	-
16. CONSUMER DEPOSIT	1 948 694	1 807 700
Consumer deposit -water	665 394	563 400
Consumer deposit - electricity	1 283 300	1 244 300
17. OTHER CREDITORS	1 255 484	977 396
Cash suspense deposits	400 969	361 043
Cash suspense heindre tenants	5 500	3 850
Regional Council	338 349	240 324
Provision - Retention	305 750	72 924
Rent A drum	-	94 339
Unspent Government grant	204 916	204 916

ANNEXURE F

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

18. Property Plant and Equipment

Reconciliation for Property Plant & equipment-2021

	Opening Balance	Additions	Transfers	Depreciation	Totals
	N\$	N\$	N\$	N\$	N\$
Work in progress	15 975 333	-	(2 644 214)	-	13 331 119
Land & Buildings	7 527 092	-	-	(504 982)	7 022 110
Infrastructure	21 933 569	27 367 562	2 644 214	(2 647 286)	49 298 059
Plant & Machinery	4 410 695	177 295	-	(911 857)	3 676 133
Furniture Fixture & Fittings	525 152	592 930	-	(101 909)	1 016 173
Motor vehicles	2 004 044	-	-	(623 366)	1 380 678
Computer & Office Equipment	687 815	563 821	-	(306 104)	945 532
	53 063 700	28 701 608	-	(5 095 504)	76 669 804

*Balance were incorrectly carried over to 2022.

*Addition to Infrastructure differs with N\$ 16 240 931 refers to finding 2.1.

**ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)**

19. Property Plant and Equipment (Continued)

Reconciliation for Property Plant & equipment-2022

	Opening Balance	Additions	Transfers	Depreciation	Totals
	N\$	N\$	N\$	N\$	N\$
Work in progress	13 331 118	9 588 598	-	-	22 919 716
Buildings	7 022 109	2 735 917	39 497 457	(3 582 522)	45 672 961
Infrastructure	33 057 128	16 240 931	-	(4 480 693)	44 817 366
Plant & Machinery	3 676 133	4 867 429	-	(1 410 563)	7 132 999
Furniture Fixture & Fittings	1 016 173	-	-	(205 241)	810 932
Motor vehicles	1 380 678	2 907 144	-	(1 181 064)	3 106 758
Computer & Office Equipment	945 532	287 063	-	(379 930)	852 665
Land occupied	-	-	926 000	-	926 000
Open land	-	-	21 234 800	-	21 234 800
	60 428 871	36 627 082	61 658 257	(11 240 013)	*147 474 197

*A difference of N\$ 261 190 was observed between the closing balance of reconciliation of property, plant and equipment (N\$ 147 474 197) and the property, plant and equipment in the financial statement of (N\$ 147 213 007).

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

20. Reconciliation of Net cash flows from operating activities to surplus/deficit

	2022	2021
	N\$	N\$
Non-cash movements	(30 452 993)	2 249 998
Depreciation	11 240 012	5 096 663
Allowance for doubtful debts	-	-
Employee provisions	-	-
Changes in accounting policies, error and corrections- Account receivable	-	-
Changes in accounting policies, error and corrections-PPE	(41 693 005)	(2 846 665)
Working capital changes	11 579 000	(10 224 759)
Inventories	445 802	835 635
Account receivables	3 505 730	(4 238 409)
VAT Receivables	(4 725 584)	(908 398)
Prepayments	(181 836)	(13 914)
Account payables	12 097 662	(368 455)
Leave provision	250 969	239 425
Leave provision-current portion	-	1 589 266
Other creditors	45 262	(7 359 909)
Consumer deposit	140 994	-
Net cash movements	(18 873 993)	(7 974 760)

ORANJEMUND TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

21. Management salaries and wages during the financial year ended June 2022.

During the year aggregated remuneration to key management personnel amount of N\$ 2 651 316 was spend on three (3) managers and a CEO. No other transaction took place on close family members of the family of key management personnel. No loan or other advances to key management personnel and close members of the key management personnel.

Council allowances during the financial year ended 2022.

During the year a total amount of N\$ 477 919 was allowance for Council, the council has seven (7) Councillors.

22. Other related party transactions

Oranjemund has been previously a mining town owned by Namibia Diamond Corporation (NAMDEB), hence management classified NADEB related party because there are still transaction taking place between NAMDEB and Oranjemund Town Council an during the year The followings transactions has taken place:

Sales of Water to NAMDEB N\$ 1 928 034

Purchases of Electricity from NAMDEB N\$ 26 743 655

Total income from occupational rent N\$ 56 525 888

Total outstanding by NAMDEB N\$ 11 794 962

Total amount owed to NAMDEB N\$ 3 317 690 for electricity consumption for June 2022.

In terms of the local Authority Act 23 of 1992, there should be fun to be paid for the benefits of regional council. An amount totalling to N\$ 4 338 349 accrue for the benefits of the regional council.

