



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OSHAKATI

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021

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 Oshakati for the financial years ended 30 June 2020 and 2021, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, August 2022

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

1. DISCLAIMER OF AUDIT OPINION

I have audited the financial statements of the Oshakati Town Council for the financial years ended 30 June 2020 & 2021 provided by the Accounting Officer as attached in Annexure A-E. These financial statements comprise the statement of financial position and statement of profit or loss and other comprehensive income for the year then ended.

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on the financial statements.

2. BASIS FOR DISCLAIMER 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 disclaimer audit opinion is being expressed due to the following:

2.1 Capital expenditure

Repairs and maintenance to buildings to the tune of N\$ 1 048 758 (2021) are of capital in nature as they comprise of purchases of CCTV, alarm system and were wrongly classified as operational expenditure. The wrong classification results in understatement of non-current assets and an increase in deficit recorded in the year.

2.2 Depreciation

Depreciation was understated by N\$ 5 305 1270 (2021), this was as a result of not pro-rating depreciation calculation. As a result, this resulted in understatement of overall expenditure and overstatement of property, plant and equipment.

1.3 Trade and other receivables

A difference of N\$ 205 292 (2021) was observed in the balance disclosed in the trade and other receivables in Note 3.

1.4 Receipts from Customers

A difference of N\$ 5 000 000 (2021) was observed between the cash receipt from customers amount of N\$ 152 278 391 disclosed in the cash flow statement and the cash receipt from customers amount of N\$ 147 123 396 disclosed in note 9.

Furthermore, a difference of N\$ 5 749 058 (2020) was observed between the cash receipt from customer's amount of N\$ 140 917 177 disclosed in the cash flow statement and the cash receipt from customer's amount of N\$ 146 666 235 disclosed in note 9.

2.5 Presence of independent observer at stock count

Stock count was not observed by auditors and there were no other alternative audit procedures that could have been performed.

1.5 Build Together and Mass Housing

The Council is exposed to high risk of defaults and losses on the Mass housing loans given that there are no bonds registered over the properties, no life cover over the life of the beneficiaries and lack of insurance cover on the properties.

Difference amounting to N\$ 243 738 (2020) was observed between the financial statements of N\$ 15 837 311 and trial balance of N\$ 15 593 573.

1.6 Casting errors

Casting errors on the financial statements were observed with major errors noted on the Cash flow statement.

1.7 Consolidation of Oshakati Premier Electric into Oshakati Town Council

IPSAS 35 states that an entity controls another entity if and only if the entity has all the following:

- (a) Power over the other entity (see paragraphs 23–29);
- (b) Exposure, or rights, to variable benefits from its involvement with the other entity (see paragraphs 30–34); and
- (c) The ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity (see paragraphs 35–37)

An entity can have power over another entity even if it does not have responsibility for the day-to-day operation of the other entity or the manner in which prescribed functions are performed by that other entity.

The auditors reviewed the Binding agreement between Oshakati Town Council and Oshakati Premier Electric (OPE) to ascertain the shareholding and governance structure. The auditors observed that Oshakati Town Council did not combine the financial results of Oshakati Premier Electric (OPE) as it is Oshakati Town Council is the sole owner of all the issued share capital and the Oshakati Premier Electric Chairperson is appointed by Oshakati Town Council.

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 nothing to report in this regard.

4. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I 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. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 39 of the Regional Council's Act, 1992 and legislation, and 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.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue my 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 skepticism 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 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.

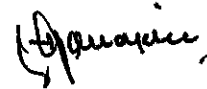
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted by the Accounting Officer to the Auditor-General in terms of Section 40 (1) of the Regional Councils Act, 1992.

8. ACKNOWLEDGEMENT

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

WINDHOEK, August 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

		2021	2020	2019
	Note	N\$	N\$	N\$
ASSETS				
Current assets		145 812 910	159 329 122	139 013 635
Cash and Cash Equivalents	2	84 347 402	94 093 868	90 576 791
Trade and Other Receivables	3	59 757 967	63 680 434	47 091 336
Inventories		1 707 541	1 554 820	1 345 508
Non-current assets		584 868 665	620 213 516	642 383 695
Property, plant, and equipment		565 970 381	600 727 008	627 226 806
Work in progress		6 521 211	6 161 780	-
Investments OPE	4	100	100	100
Long term receivables		12 376 973	13 324 628	15 156 789
TOTAL ASSETS		730 681 575	779 542 638	781 397 330
EQUITY AND LIABILITIES				
Current liabilities		20 677 180	20 381 005	19 557 168
Trade and other payables	5	16 308 993	15 452 487	4 393 322
Bank overdraft	2	16 094	770 289	11 626 313
Consumer deposit		4 251 529	3 966 656	3 537 533
Current portion of employee benefits	6	100 564	191 573	-
Non-current liabilities				
Employees benefits	6	6 077 773	5 574 861	5 614 079
Net assets		703 927 303	753 588 775	756 226 083
Funds		41 839 759	40 972 661	151 581 467
Government grants		-	-	73 759 988
Accumulated surplus/deficit		662 087 544	712 616 114	530 884 628
TOTAL EQUITY AND LIABILITIES		730 682 256*	779 544 641	781 397 330

* Difference of N\$681 is noted (total assets-total equity & liabilities - 2021) and difference of N\$2 003 is noted (total assets- total equity & liabilities - 2020)

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

	Note	2021 N\$	2020 N\$	2019 N\$
Revenue	7	147 123 396	160 994 049	149 137 494
Revenue from exchange transactions		130 081 584	141 798 759	137 435 232
Rates and taxes		25 051 901	27 672 909	27 297 577
Other income exchange		17 049 869	17 168 375	16 038 390
Income from refuse removal		14 398 194	13 615 349	11 190 184
Income from sale of ervens		13 028 566	21 156 667	21 833 296
Income from water		49 227 346	49 551 563	49 810 344
Income from sewerage		6 924 708	5 905 854	4 872 040
Interest received		4 401 000	6 728 042	6 393 401
Revenue from non-exchange transactions		17 041 812	19 195 290	11 702 262
Government subsidy		5 000 000	5 749 058	-
Income from surcharges (OPE)		6 332 623	6 843 879	6 953 710
Subsidy RFA		4 699 060	5 930 902	3 961 567
Other income non-exchange		1 010 129	671 451	786 985
Expenses	8	164 790 772	161 488 352	155 189 950
Employee related cost		40 675 767	40 726 575	37 261 656
General expenses		18 060 985	20 432 551	22 251 619
Repairs and maintenance		8 854 521	9 032 446	5 632 498
Fueling and lubricants		1 191 472	1 314 391	1 166 329
Purchase of water		26 241 453	24 268 382	25 394 085
Electricity consumption		3 696 984	3 685 080	-
Insurance		1 006 821	708 047	782 858
Security services		2 398 579	2 771 781	2 437 139
Compensation		837 864	6 791 892	6 283 559
Contribution to regional council		1 252 595	1 383 645	1 364 879
Depreciation and amortization expenses		47 381 540	41 940 244	44 457 317
Leave days and bonus provision		411 904	152 354	825 394
Bad debt expense		12 780 287	8 280 964	7 332 617
Deficit for the year		(17 667 376)	(494 303)	(6 052 456)

THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE

	Budged Amount 2021 N\$	Actual Amount 2021 N\$	Variance 2021 N\$
Receipts	150 080 876	147 123 396	2 957 480
	133 749 856	130 081 584	3 668 272
Rates and taxes	30 512 570	25 051 901	5 460 669
Other income exchange	15 638 618	17 049 869	(1 411 251)
Income from refuse removal	12 000 000	14 398 194	(2 398 194)
Income from sales of ervens	9 000 000	13 028 566	(4 028 566)
Income from water	54 483 608	49 227 346	5 256 262
Income from sewerage	6 159 060	6 924 708	(765 648)
Interest received	5 956 000	4 401 000	1 555 000
Receipts from non-exchange transactions	16 331 020	17 041 812	(710 792)
Government subsidy	6 000 000	5 000 000	1 000 000
Income from surcharges	3 500 000	6 332 623	(2 832 623)
Subsidy RFA	4 966 020	4 699 060	266 960
Other income non-exchange	1 865 000	1 010 129	854 871
Payments	129 581 216	107 708 062	21 873 154
Employees related cost	48 853 698	40 675 767	8 177 931
Salaries and wages	23 125 535	18 963 126	4 162 409
Bonuses	1 927 104	1 573 796	353 308
Acting allowances	-	119 845	(119 845)
Car allowances	736 264	628 351	107 913
Allowances council members	483 091	483 092	(1)
Cellphone allowances	104 400	90 800	13 600
Standby allowances	185 000	131 500	53 500
Housing allowances	811 611	817 722	(6 111)
Social security contribution	117 612	94 064	23 548
Medical aid contribution employer	5 114 770	3 870 086	1 244 684
Pension fund contribution employer	5 440 628	4 102 908	1 337 720
Transport allowance	824 328	744 720	79 608
Housing subsidy	8 778 355	6 902 912	1 875 443
Overtime	1 205 000	2 152 845	(947 845)

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

	Budget Amount 2021 N\$	Actual Amount 2021 N\$	Variance 2021 N\$
Other expenses	80 727 518	67 032 295	13 695 223
General expenses	25 540 760	18 060 985	7 479 775
Repairs and maintenance	13 294 020	8 854 521	4 439 499
Fueling and lubricants	1 345 000	1 191 472	153 528
Purchasing of water	27 609 731	26 241 453	1 368 278
Electricity consumption	4 500 000	3 696 984	803 016
Insurance	1 200 000	1 006 821	193 179
Refuse removal	1 975 000	3 491 021	(1 516 021)
Security services	2 737 378	2 398 579	338 799
Compensation	1 000 000	837 864	162 136
Contribution to regional council	1 525 629	1 252 595	273 034
Net receipts/(payments) from operations	20 499 660	39 415 334	(18 915 674)
Capital expenditures property, plant and equipment	44 510 340	29 292 115	15 218 225
	(24 010 680)	10 123 219	(34 133 899)
Net receipts(payments)		39 415 334	
Non-cash items		60 573 731	
Depreciation and amortization Expense		47 381 540	
Leave days and bonus provision		411 904	
Bad debt expenses		12 780 287	
Surplus/Deficit reconciliation		(21 158 397)	

THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE

	Budget Amount 2020 N\$	Actual Amount 2020 N\$	Variance 2020 N\$
Receipts	249 693 122	160 994 049	88 699 073
Receipts from exchange transactions	233 893 122	141 798 759	92 094 363
Rates and taxes	37 050 000	27 672 909	9 377 091
Other income exchange	20 997 000	17 168 375	3 828 625
Income from refuse removal	14 000 000	13 615 349	384 651
Income from sale of ervens	5 390 122	21 156 667	(15 766 545)
Income from water	49 000 000	49 551 563	(551 563)
Income from sewerage	8 500 000	5 905 854	2 594 146
Interest received	6 956 000	6 728 042	227 958
Contribution from reserves	92 000 000	-	92 000 000
Receipts from non-exchange transactions	15 800 000	19 195 290	(3 395 290)
Government subsidy	8 000 000	5 749 058	2 250 942
Income from surcharges (OPE)	1 350 000	6 843 879	(5 493 879)
Subsidy RFA	5 500 000	5 930 902	(430 902)
Other income non-exchange	950 000	671 451	278 549
Payments	131 071 285	113 339 936	17 731 349
Employee related costs	47 064 285	40 726 575	6 337 710
Salaries and wages	23 023 532	19 525 618	3 497 914
Bonuses	1 884 816	1 602 330	282 486
Car allowances	918 842	732 525	186 317
Allowances council members	483 077	477 495	5 582
Cell phone allowance	157 000	100 475	56 525
Standby allowances	-	121 935	(121 935)
Housing allowances	10 358 467	7 962 717	2 395 750
Social security contribution	122 472	98 894	23 578
Medical aid contribution employer	3 328 702	3 548 418	(219 716)
Pension fund contribution	4 995 083	4 184 122	810 961
Transport allowance	839 556	759 464	80 092
Overtime	952 738	1 612 582	(659 844)

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

	Budget Amount 2020 N\$	Actual Amount 2020 N\$	Variance 2020 N\$
Other Expenses	84 007 000	72 613 361	11 393 639
General expenses	24 062 500	20 432 551	3 629 949
Repairs and maintenance	16 077 000	9 032 446	7 044 554
Fuelling and lubricants	825 000	1 314 391	(489 391)
Purchase of water	25 000 000	24 268 382	731 618
Electricity consumption	3 690 000	3 685 080	4 920
Insurance	1 500 000	708 047	791 953
Refuse removal	965 000	2 225 146	(1 260 146)
Security services	2 000 000	2 771 781	(771 781)
Compensation	8 035 000	6 791 892	1 243 108
Contribution to regional council	1 852 500	1 383 645	468 855
Net receipts (payments) from operations	118 621 837	47 654 113	70 967 724
Capital expenditure property plant and equipment and WIP	115 581 505	21 602 226	93 979 279
Net receipts (payment)	3 040 332	26 051 887	(23 011 555)
Reconciliation of the surplus of deficit			
Net receipts (payments) from operating activities		47 654 113	
Non-cash items		50 373 562	
Depreciation and amortisation expense		41 940 244	
Leave days and bonus provision		152 354	
Bad debts expenses		8 280 964	
Deficit reconciliation		(2 719 449)	

ANNEXURE D

**THE TOWN COUNCIL OF OSHAKATI
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE**

	Funds	Government Grants capital	Reserves	Accumulated Surplus/ (deficit)	Total
	N\$	N\$	N\$	N\$	N\$
Balance as at 30 June 2018	145 548 311	95 076 415	604 631 129	(120 336 393)	724 919 462
Changes in accounting policy errors and correction -IPSSAS	-	-	(638 848 583)	657 274 232	18 425 649
Increase in funds	6 033 156	-	-	-	6 033 156
Increase in reserves	-	-	34 217 454	-	34 217 454
Decrease in government grants	-	(21 316 427)	-	-	(21 316 427)
Corrections prior year	-	-	-	(755)	(755)
Deficit for the year	-	-	-	(6 052 456)	(6 052 456)
Balance as at 30 June 2019	151 581 467	73 759 988	-	530 884 628	756 226 083
Changes in accounting policy errors and correction -IPSSAS	(111 868 179)	(73 759 988)	-	185 628 167	-
Increase in funds	1 259 373	-	-	-	1 259 373
Adjustments on accumulated surplus	-	-	-	(3 403 133)	(3 403 133)
Corrections prior year	-	-	-	755	755
Deficit for the year	-	-	-	(494 303)	(494 303)
Balance as at 30 June 2020	40 972 661	-	-	712 616 114	753 588 775
Changes in accounting policy errors and corrections	-	-	-	(32 861 194)	(32 861 194)
Restated Balance	40 972 661	-	-	679 754 920	720 727 581
Increase in funds	867 098	-	-	-	867 098
Deficit for the year	-	-	-	(17 667 376)	(17 667 376)
Balance as at 30 June 2021	41 839 759	-	-	662 087 544	703 927 303

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

		2021	2020	2019
	Note	N\$	N\$	N\$
Cash generated from operations	12	19 432 746	38 118 332	40 560 320
Cash receipt from customers	9	152 278 391	146 666 235	123 906 076
Cash paid to suppliers	10	(132 845 645)	(108 547 903)	(83 345 756)
Cash flow from investing activities		(29 292 115)	(21 602 226)	(66 492 702)
Purchase of property plant and equipment		(22 770 904)	(15 440 446)	(67 899 269)
Proceeds from sale of property plant and equipment		-	-	1 406 567
Work in progress		(6 521 211)	(6 161 780)	-
Cash flow from financing activities		867 098	2 143 005	18 934 183
Movement in reserves		867 098	-	34 217 454
Increase/(decrease) in fund accounts		-	(110 608 806)	6 033 156
Government grants		-	(73 759 988)	(21 316 427)
Capital outlay		-	182 225 789	-
Decrease/(increase) in cash and Cash equivalents		(8 992 271)	14 373 101	(6 998 199)
Cash and cash equivalents at the beginning of the period		93 323 579	78 950 478	85 948 677
Cash and cash equivalents at the end of the year		84 331 308	93 323 579	78 950 478

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

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs), from July 2019.

1.2 Accrual concept

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 recognized 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 recognized as income or expenditure, a payable (income in advance) or receivable (payment in advance) is recorded in the Statement of Financial Position.

1.3 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 may not balance with Receiver of Revenue figures because of different accounting concept that the government is using.

1.4 Changes in accounting policy, errors and corrections

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

- 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, oversights 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, or 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.

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

1.5 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 balances are cleared as soon as possible. Any items of revenue not cleared at year end will be treated as sundry revenue.

1.6 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.

1.7 Cash and cash equivalents

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 change 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.

1.8 Consumer deposits and employee benefits 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, Oshakati 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.

1.9 Capital assets

Capital expenditure is recognized in terms of IPSAS 16: Investment Properties, IPSAS 17: Property, Plant and Equipment and IPSAS 36 (revised): Investment in Associate and Joint Venture. 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 service potential are expected from its use or disposal.

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

Property, plant and equipment

Non-current asset is initially recorded at cost less accumulated depreciation and impairment. The council does not carry out market valuation because the cost outweighs 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

The gain or losses arising from de-recognition of an item of Property Plant and Equipment is included in surplus or deficit when the item is derecognized. Depreciation is calculated using straight line methods to write the cost of each asset over the useful life as follows:

Class	Years	Rate
Buildings and Plants	20 Years	5%
Machinery	10 Years	10%
Office Equipment	5 Years	20%
Motor Vehicles	5 Years	20%
Office Furniture and Fittings	5 Years	20%
Computer Equipment's	5 Years	20%

Impairment

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.

Disposal of non-current assets

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.

Assets held for sale

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

- The asset is a condition required for sale
- The assets sale is highly probable
- The completion is expected to be completed with 12 months.
- Non-current asset held for sale are not to be depreciated.

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

Investment properties

These are items of land and/or building held solely for the purpose 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.

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 amend according to the general valuation and interim valuation

Investments

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.

1.10 Revenue

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 Oshakati Town Council directly in return for service rendered/ goods sold, the value of which approximates the consideration received or receivables. Revenue from non-exchange transaction refers to transactions where the Council received revenue from another entity without directly giving approximately equal value in exchange.

1.11 Government grants and other donations

Conditional grants, donations and funding's are recognised as revenue to the extent that the municipality 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.

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

1.12 Borrowing costs

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

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

1.13 Employee costs

The council account for total benefit earned by employees during the financial year as salaries and wages the notes. Council members allowance is also recognized under this category.

1.14 Provisions

Oshakati Town Council maintains a provision for any non-payment, at each Balance sheet date, where there is need; the Council make an assessment as to whether impairment loss need to be recognized. Firstly, whether there is evidence of impairment for individual debtors that are significant. Secondary, there is evidence of impairment for the group of similar debtors. The factor to be used will be disclosed in the notes the annual financial statement. Provision for impairment is only applicable to debtors who at 120 days and 120 days plus.

1.15 Inventory and 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.

THE TOWN COUNCIL OF OSHAKATI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
2 CASH AND CASH EQUIVALENTS	84 331 308	93 323 579	78 950 478
Standard bank call account	2 911 812	7 288 878	9 430 059
Bank Windhoek call account	6 372 259	16 669 983	15 257 963
Build together call account	12 161 742	11 720 648	11 090 881
Standard bank mass housing call account	-	58 410	58 090
Ceded account	2 275 448	-	-
Fnb call account	22 472	22 399	22 399
Stanlib investment	60 603 669	58 333 550	54 715 837
Petty cash	-	-	1 562
Sub total	84 347 402	94 093 868	90 576 791
Less bank overdraft	(16 094)	(770 289)	(11 626 313)
3 TRADE AND OTHER RECEIVABLES	59 757 967	63 680 434	47 091 336
Debtors services	68 919 788	55 188 410	39 657 984
Value added tax	13 281 724	17 628 002	19 603 432
Mass housing advances	13 356 086	14 911 949	15 691 650
Oshakati Premier Electric receivable	19 230 574	17 677 973	8 941 766
Road Fund Administration receivable	205 292	1 790 772	1 377 670
Loan account: Oshakati Premier Electric	7 000 000	7 000 000	7 000 000
Sundry debtors	1 565 374	1 160 678	-
Build together loan advances	573 363	925 362	1 154 679
Prepaid expenses	190 677	193 230	-
Personnel laptop scheme	54 243	33 485	43 431
Cell phone scheme	3 333	15 935	17 284
Sales of corporate water	55 507	-	-
Sub total	124 435 961	116 525 796	93 487 896
Less: Provision for doubtful debts	(52 301 021)	(39 520 734)	(31 239 771)
: Long term receivables	(12 376 973)	(13 324 628)	(15 156 789)

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

	2021	2020	2019
	N\$	N\$	N\$
4 INVESTMENT OPE			
Investment OPE	100	100	100

Oshakati Town Council own 100% equity in Oshakati Premier Electric. In terms of IPSAS 6 the parent company is required to prepare consolidated financial statements however the Council is transitioning to IPSAS effective 01 July 2019 and has a 3- year exemption in terms of IPSAS 33. Full consolidation should be done by 30 June 2021.

5 TRADE AND OTHER PAYABLES	16 308 993	15 452 487	4 393 322
Accrued assets	-	6 590 176	-
Accrued creditors	10 917 019	4 601 231	666 672
Sundry payables	3 103 227	2 723 990	2 204 123
Contribution regional council	1 252 595	1 385 646	1 364 879
Retention	599 497	-	103 603
Bank reconciliation	-	-	-
Provision creditors	436 655	97 399	-

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

	2021	2020	2019
	N\$	N\$	N\$
6 EMPLOYEE BENEFITS	6 178 337	5 766 434	5 614 079
Leave days	6 077 773	5 574 861	5 614 079
Current portion	100 564	191 573	-
7 REVENUE	147 123 396	160 994 049	149 137 494
Revenue from exchange transactions	130 081 584	141 798 759	137 435 232
Assessment rates	25 051 901	27 672 909	27 297 577
Other income: exchange transactions	17 049 869	17 168 375	16 038 390
Admin and advertising fees	1 649 154	1 945 646	1 747 588
Admin and advertising fees business	7 839	34 299	16 231
Building plan fees	564 984	582 698	628 910
Burial fees	42 432	52 143	57 865
Interest account in arrears	6 810 212	5 357 151	4 026 555
Interest on current account	1 466	87 763	275 937
Animal slaughtering fees	50 963	116 414	98 085
Sales of corporate water	125 788	-	15 822
Interest on staff loans	2 248	1 842	1 048
Bid document fees	100 839	20 400	83 700
Permission to occupy	150 434	156 013	154 927
Plant hire	-	-	1 182
Pound fees	46 748	6 767	57 678
Open market fees	1 890 282	2 007 015	1 784 929
Sale of promotional items	38 454	-	17 107
Rental of house and flats	259 390	270 079	270 924
Rental of civil buildings	578 534	577 194	524 969
Social housing income	-	-	1 869
House and plot rentals	1 608 535	1 579 252	1 307 328
Sale of dustbins	87 923	130 286	60 177
Sewerage connections	159 248	258 612	355 618
Fire brigade fees	1 137 153	1 085 638	907 452
Surplus banked	-	4 238	2 367
Sundries	561 282	659 365	666 594
New water connection	1 137 427	2 093 242	1 535 625
Plant and hire equipment	3 963	6 421	6 645
Sundry income	34 012	23 626	24 691

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

	2021	2020	2019
	N\$	N\$	N\$
7 REVENUE (continued)			
Proceeds from auction	-	-	1 406 567
Refund DW project	-	109 686	-
Dog licenses	-	2 585	-
Allocation elsewhere	559	-	-
Income from refuse removal	14 398 194	13 615 349	11 190 184
Refuse removal non- vatable	7 064 028	6 520 889	5 261 437
Refuse removal business vatable	7 334 166	7 094 460	5 928 747
Income from sale of ervens	13 028 566	21 156 667	21 833 296
Sale of ervens: business	2 537 480	1 124 771	1 796 430
Sale of ervens: residential	10 491 086	20 031 896	20 036 866
Income from water			
Income from sale of water	49 227 346	49 551 563	49 810 344
Income from sewerage			
Sewerage fees non vatable	6 924 708	5 905 854	4 872 040
Interest received	4 401 000	6 728 042	6 393 401
Interest on short investment	2 826 000	5 862 295	5 448 401
Oshakati premier – interest	1 575 000	865 747	945 000
Revenue from non-exchange transactions	17 041 812	19 195 290	11 702 262
MURD – Construction of services	-	5 749 058	-
Subsidy – MURD	5 000 000	-	-
Income from surcharges (OPE) electricity royalties	6 332 623	6 843 879	6 953 710
Subsidy RFA	4 699 060	5 930 902	3 961 567
Other income non-exchange	1 010 129	671 451	786 985
Compliance certificates	35 077	15 844	-
Fitness certificates	760 623	574 290	674 605
Connection fees	156 840	-	-
Registration fees	57 589	81 317	112 380

THE TOWN COUNCIL OF OSHAKATI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
8 TOTAL EXPENSES	164 790 772	161 488 352	155 189 950
Employee related costs	40 675 767	40 726 575	37 261 656
Salaries and wages	18 963 126	19 525 618	18 740 517
Bonuses	1 573 796	1 602 330	1 501 130
Acting allowance	119 845	-	-
Car allowances	628 351	732 525	649 276
Allowances council members	483 092	477 495	477 494
Cell phone allowance	90 800	100 475	93 900
Standby allowance	131 500	121 935	-
Housing allowance	817 722	7 962 717	7 099 886
Social security contribution	94 064	98 894	94 735
Medical aid: employer	3 870 086	3 548 418	3 030 590
Pension fund contribution	4 102 908	4 184 122	3 973 661
Transport allowance	744 720	759 464	745 340
Housing subsidy	6 902 912	-	-
Overtime	2 152 845	1 612 582	855 127
General expenses	18 060 985	20 432 551	22 251 619
Department services council	17 873	3 232 933	5 936 215
External members allowance	600	1 500	2 700
Termination of services	166 912	49 059	124 908
Advertising	181 103	192 525	326 541
Trees and shrubs planting	43 972	18 202	49 404
Gym subscription fees	3 200	-	-
Bank charges	841 428	951 224	737 695
Park extension development	-	-	135 732
Binary clocking system	-	46 987	-
Consultant fees	119 521	248 539	359 917
Reception access control	-	21 711	-
Courier services	207 266	312 743	219 208
Computer license	116 452	103 640	95 450
Postage/ bulk mail purchase	65 165	227 382	219 074
Microsoft office windows 2020	129 997	290 839	-
Entertainment	108 101	109 369	69 669
Toolbox	-	9 990	-
Grants and donations	24 355	12 369	25 990

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

	2021	2020	2019
	N\$	N\$	N\$
8 TOTAL EXPENSES (continued)			
General expenses			
Implement hire	12 600	78 515	207 319
Fortigate license renewal	-	9 006	-
Fitness information system	15 073	-	-
Infectious disease control	200 507	95 807	37 204
Conveyance and burial	-	18 948	-
Go tv subscriptions	3 370	1 200	-
Lubricants	16 000	9 827	12 518
TV license	3 960	-	-
Newspaper subscriptions	1 800	5 750	-
Legal costs	225 103	288 276	225 660
Mass distance charges	5 272	5 854	-
Grave number plates	42 126	24 100	18 939
Trade fair registration	-	4 000	12 500
Material and stores	153 257	147 250	123 095
Municipal association contribution	216 869	54 900	57 500
Postage and telephone	381 189	283 219	523 441
USB	3 304	-	-
Email/internet expenses	204 050	195 603	10 775
Local economic development activities	110 308	13 000	41 396
Printing and stationary	833 998	855 710	591 742
Promotional items	195 697	33 901	92 658
Corporate video	69 400	14 699	-
PPDM	7 000	46 535	-
Protective clothing	111 534	17 066	137 880
HIV/AIDS awareness	30 270	93 278	126 586
Renting of photocopy machine	111 168	97 182	56 869
Publicity and subscription fees	78 092	23 819	11 670
License renewal	376 950	144 860	334 444
Relocation and transport costs	180 397	151 172	528 952
Small tools and equipment	85 688	28 426	19 631
Professional board fees	4 670	-	-
Animal fodder	-	14 960	11 374
Travel and subsistence	252 667	555 446	653 155
Emergency	12 150	142 580	3 177
Year-end function	86 986	70 203	53 302

THE TOWN COUNCIL OF OSHAKATI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
8 TOTAL EXPENSES (continued)			
General expenses			
Relocation informal settlers	3 415 545	485 936	1 230 706
Replacement of beacons	15 125	12 674	44 375
Fire extinguisher volunteers	22 488	51 697	59 026
Training	21 956	79 395	160 130
Workmen compensation	113 552	116 670	105 446
Internship	110 400	121 100	116 400
Refreshments	55 780	51 700	55 464
CDC elections	52 680	-	-
Sport activities	29 590	2 300	71 400
Mosquito nets	11 625	-	-
Contribution to totem	-	-	1 000 000
Internal subdivision	14 130	97 705	20 736
Exchange server SSL licenses	-	5 754	4 054
Business breakfast	27 694	3 400	-
Cleaning campaign	18 147	29 506	-
No dumping signs	11 200	4 653	-
Refuse removal contract	-	4 836 857	-
Wireless internet access	-	14 902	-
Website expenses	-	5 026	67 154
Corporate wear	200 304	113 700	-
Kaspersky antivirus	-	9 964	33 529
Microsoft license	14 981	-	-
Staff development and fin assistance	31 383	217 583	96 656
Network cables and connection	800	-	-
Domain name hosting renewal	3 600	6 400	3 000
Trophies and certificates	1 390	-	15 820
Team building activities	-	8 947	80 000
Network switches	259 133	-	4 511
Treatment plant feasibility	-	2 273 084	-
Network renewal civil design	4 500	-	-
Refuse removal contractor	3 878 447	-	-
VIP upgrade	43 940	-	-
Refuse receptacles / dustbin	154 174	-	-
Multipurpose phase 1	-	304 348	-
Contractual labour	3 491 021	2 225 146	6 888 922

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

	2021	2020	2019
	N\$	N\$	N\$
8 TOTAL EXPENSES (continued)			
Repairs and maintenance	8 854 521	9 032 446	5 632 498
Gardens maintenance	94 993	37 581	17 178
Buildings	1 404 264	196 558	165 032
Aircon maintenance	608	-	3 500
Electrical maintenance pumps	962 293	850 303	847 055
Machines and equipment	464 982	737 619	758 562
Open market maintenance	298 034	237 080	2 284
Reticulation	2 091 383	2 672 871	2 918 571
Street's sidewalks and storm waters	2 565 023	3 883 714	300 757
Land fill maintenance	224 256	-	69 453
Traffic signs	8 325	13 440	20 520
Vehicles	621 091	366 837	529 386
Fire track	107 695	5 060	200
Cemetery maintenance	11 574	-	-
Repair old skip containers	-	31 383	-
	97 199 499	91 296 780	90 044 177
Fueling and lubricants	1 191 472	1 314 391	1 166 329
Purchasing of water	26 241 453	24 268 382	25 394 085
Electricity consumption	3 696 984	3 685 080	-
Insurance	1 006 821	708 047	782 858
Security services	2 398 579	2 771 781	2 437 139
Compensation Mahangu landowners	837 864	6 791 892	6 283 559
Contribution regional council	1 252 595	1 383 645	1 364 879
Depreciation and amortization expenses	47 381 540	41 940 244	44 457 317
Leave days provision	411 904	152 354	825 394
Bad debts expenses	12 780 287	8 280 964	7 332 617

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

	2021		2020	
	N\$		N\$	
	Debits	Credits	Debits	Credits
9 RECEIPTS FROM CUSTOMERS				
Balance	63 680 434	59 757 967	47 091 336	63 680 434
Long term receivables	13 324 628	12 376 973	15 156 789	13 324 628
Consumer deposits	4 251 529	3 966 656	3 966 656	3 537 533
Revenue	147 123 396	-	160 994 048	-
Dividends received	-	5 000 000	-	5 749 058
Receipts from exchange and other non-exchange transactions		147 278 391		140 917 177
	228 379 987	228 379 987	227 208 830	227 208 830
10 CASH PAID TO SUPPLIERS AND EMPLOYEES				
Trade and other payables	16 308 992	15 450 486	15 450 486	4 393 321
Inventory	1 554 820	1 707 541	1 345 508	1 554 820
Employee benefits	6 369 910	5 958 006	5 776 434	5 614 079
Expenses	-	164 791 450	-	161 488 355
Depreciation and amortisation expenses	47 381 540	-	41 940 244	-
Changes in accounting policies error and correction	(32 861 194)	-	-	-
Changes on accounting policies error and correction	16 307 772	-	-	-
Cash paid to suppliers and on behalf of employees	132 845 645	-	108 547 903	-
	187 907 484	187 907 484 *	173 050 575	1730 575

* Difference of N\$ 1 is noted between the above balance and the recalculated amount.

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

	2021	2020	2019
	N\$	N\$	N\$
11 RECONCILIATION OF CASH GENERATED FROM OPERATIONS			
Deficit for the year	(17 668 054)	(494 307)	(6 052 455)
Non-cash items:	30 828 117	41 940 244	69 654 537
Depreciation	47 381 539	41 940 244	44 457 317
Changes in accounting policies errors and corrections PPE	16 307 772	-	18 424 895
Changes in accounting policies errors and corrections	(32 861 194)	-	7 332 617
Adjustments on fixed assets opening balances	-	-	846 275
Less profit on disposals	-	-	(1 406 567)
Cash generated from operations before changes in working capital	13 160 063	41 445 938	40 560 320

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

	2021	2020	2019
	N\$	N\$	N\$
12 RECONCILIATION OF CASH GENERATED FROM OPERATIONS			
Changes in working capital:	6 272 684	(3 327 606)	(23 041 762)
Movement in trade and other receivables	3 922 468	(16 589 098)	(9 012 654)
Movement in inventories	(152 721)	(209 311)	(378 173)
Movement in long term receivables	947 655	1 832 161	(15 156 789)
Movement in trade and other payables	858 507	11 057 164	482 628
Movement in employee benefits	311 340	(39 218)	678 634
Current portion of employee benefits	100 564	191 573	344 592
Consumer deposits	284 873	429 123	-
Net cash flow operating activities	19 432 747*	38 118 332	40 560 320

*Difference of N\$1 noted between the cash flow statement and the note.

