



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OSHIKUKU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Oshikuku 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, (Act No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, July 2025

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR – GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OSHIKUKU
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2022**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Oshikuku for the financial year ended 30 June 2022. These financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow, and notes to the financial statements for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not give a true and fair view in all material respects, the financial position of the Town Council of Oshikuku as at 30 June 2022, and their financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

2 BASIS FOR ADVERSE AUDIT OPINION

I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAI's). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the audit 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 the 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 the audit opinion. An adverse audit opinion is being expressed due to the following:

2.1 PRIOR YEAR AUDIT FINDINGS (*Unresolved prior audit issue)

No detailed explanations or supporting information was provided regarding prior year audit findings, thus will be recurring findings. The findings raised were as follows:

- Reconciliation of the capitalization reserve fund at year-end based on the information provided amounting to N\$ 15 360 022 does not agree to the financial statements balance amounting to N\$ 15 734 294, resulting in an unexplained difference of N\$ 374 272;
- The adjustments on the capital reserve account for capital expenditure amounting to N\$ 2 190 802 was included also under property, plant and equipment as fixed assets additions;
- Receipts of N\$ 530 959 from the line ministry were recorded twice under capital reserve fund and income;
- Supporting documents or schedules for the prior year adjustments amounting to N\$ 1 347 236 were not available for audit verification;
- Accumulated fund account amounting to N\$ 44 169 344 does not agree to the financial statements balance amounting to N\$ 44 309 688 resulting in a difference of N\$ 140 344;
- Listing for trade payables provided by Council amounting to N\$ 2 047 723 does not agree to the financial statements balance amounting to N\$ 4 739 328 resulting in a difference of

N\$ 2 691 605. Also noted is a difference of N\$ 444 330 between one of the supplier statements provided and the listing balance;

- The value added tax reconciliation performed based on the returns submitted, payments made and receipts amounting to N\$ 1 467 001 differs to the financial statements balance amounting to N\$ 1 926 958 resulting in a difference of N\$ 459 957;
- Council was unable to provide supporting documents or schedules to verify the suspense account balance amounting to N\$ 9 985 385 per financial statements. Included in the debtors age analysis is an amount of N\$ 863 774 for the suspense account balance which is made up of direct deposits which were not cleared from previous years;
- Selections made for long term receivables amounting to N\$ 291 501 were not included on the listing for loan debtors provided by Council. Also noted is that the loan debtors balance per financial statements were misstated by N\$ 36 087;
- Sales of ervens listing provided by Council amounting to N\$ 1 348 991 differs to the financial statements balance amounting to N\$ 618 459 resulting in a difference of N\$ 730 532. Also noted is that council records part payments received from purchasers as sale of erven instead or recognising the sale when the risks and rewards have been transferred to the buyer;
- The recomputed surcharge income based on the confirmation letters received for the year amounting to N\$ 406 982 differs to the financial statements balance of N\$ 473 904 resulting in a difference of N\$ 66 922;
- The revenue balance per management report provided by Council amounting to N\$ 20 177 187 does not agree to the financial statements balance amounting to N\$ 23 945 009 resulting in a difference of N\$ 3 767 822;
- The total expenditure balance per Council report provided by Council amounting to N\$ 17 264 573 does not agree to the financial statements balance amounting to N\$ 28 676 826 resulting in a difference of N\$ 11 412 253;
- The statement of changes in net assets accumulated surplus balance as at 30 June 2020 amounting to N\$ 49 041 505 does not agree to the statement of financial position balance amounting to N\$ 48 997 962 resulting in a difference of N\$ 43 543;
- The movement on the statement of cash flow for the prior year for trade payables recomputed amounting to N\$ 2 674 211 does not agree to the financial statements balance of N\$ 1 911 437 resulting in difference of N\$ 762 864;
- Cash book balance recorded on the bank reconciliation amounting to (N\$ 2 633 443) does not agree to the financial statements balance amounting to N\$ 649 647 resulting in a difference of N\$ 3 283 090 Also noted is that the interest on investment amounting to N\$ 47 351 was omitted from the financial statements;
- The total of other accounts held by the Town Council amounting to N\$ 4 143 773 does not agree to the financial statements balance amounting to N\$ 6 087 245 resulting in a difference of N\$ 1 943 472;
- Subsidy payment of arrears amounting to N\$ 500 000 was erroneously recorded as an expense when it was supposed to be captured against the trade payables reducing the liabilities balance at year end;
- Supporting documents for electricity departmental amounting to N\$ 592 907 does not agree to the general ledger balance amounting to N\$ 497 776 resulting in a difference of N\$ 95 131;

- Included in the plan and formalization account is an amount of N\$ 124 624 which was erroneously captured also under the compensation subsidy expense on the supporting documents provided;
- Water bulk purchases invoices received amounting to N\$ 2 616 443 does not agree to the general ledger balance amounting to N\$ 2 810 030 resulting in a difference of N\$ 193 586;
- The financial statements balance for property, plant and equipment amounting to N\$ 49 030 967 does not agree to the fixed asset register balance amounting to N\$ 53 833 795 resulting in a difference of N\$ 4 802 828; and
- Supporting documents for fixed assets additions for electricity reticulation amounting to N\$ 3 386 911 does not agree to the general ledger balance of N\$ 2 460 966 resulting in a difference N\$ 925 946.

2.2 COMPARATIVE FIGURES AND OPENING BALANCES

The audit noted that the closing balance of the audited 2021 financial year is restated in 2022 opening balances. No explanation was provided by Council on the variances noted.

2.3 INVESTMENT IN NORED

The Council disclosed balances for Investment in NORED amounting to N\$ 17 058 730 for the financial year. This investment was made as a result of prior period adjustments, by transferring all property related to electrical infrastructure. However, the auditors could not satisfy themselves with the disclosure of these balances in the financial statements in accordance with IPSAS 28, as the auditors were not provided with sufficient and appropriate supporting documents, such as, share certificates and signed shareholders agreement.

2.4 VALUE ADDED TAX (VAT)

The auditor noted that Value added tax for the 2021 financial year was disclosed as a receivable amounting to N\$ 1 926 958. In the 2022 financial statements (comparative figures for 2021), VAT is recorded as a payable amounting to N\$ 123 909 while there was no adjustment neither restatements made to substantiate the movement.

2.5 DIFFERENCES BETWEEN GENERAL LEDGER AND FINANCIAL STATEMENTS FOR TRADE RECEIVABLES

The auditors noted a material difference of N\$ 844 029 between the balance recorded in the financial statements amounting to N\$ 3 209 150 and the balance in the General Ledger for Trade receivables account amounting to N\$ 2 365 121.

2.6 DIFFERENCE BETWEEN THE FIXED ASSETS REGISTER AND THE ANNUAL FINANCIAL STATEMENTS

The auditors noted a difference of (N\$ 499 002) between the netbook value amounts on the fixed assets register of N\$ 204 816 821 and the net book values disclosed in the financial statement of N\$ 204 317 819.

2.7 GOVERNMENT AND OTHER DEPARTMENTS TRANSFER

The auditors noted that the Council has processed funds that were received from the Ministry of Urban and Rural Development and the Road Fund Administration (RFA) amounting to N\$ 325 357 as equity and not as revenue as required by IPSAS 23, Revenue from Non-Exchange Transactions.

2.8 FRUITLESS EXPENDITURE

The Council incurred external consultation expenditure for the preparation of the 2022 financial statements amounting to N\$ 269 087, however the cost benefit of this expenditure did not meet the desired quality output raising concern of the competency in this regard.

2.9 ALLOWANCE FOR BAD DEBTS POLICY

The auditors noted that the Council does not have a policy to guide the calculation of bad debt provisions. Although an allowance for bad debts was disclosed in the financial statements, there was no basis provided.

2.10 STOCK-COUNT

The auditors were not invited to observe the inventory count performed for the financial period under review. Therefore, the auditors were unable to gain assurance concerning the existence of inventory quantities as well as verify the procedures carried out for the stock count verification.

2.11 PROVISION FOR THE DUMPSITE

The Council did not recognize the provision for the rehabilitation and restoration of the dumpsite for the year under review.

2.12 NON-COMPLIANCE TO IPSAS 20: RELATED PARTIES

The auditor's noted that the Council did not disclose transactions with its related party (Key Management Personnel) as required by IPSAS 20 paragraph 27. The Council sold a plot to a Councillor. Furthermore, Councillors owes in municipal bills however, no disclosure of the transactions was made.

3 OTHER INFORMATION

My audit opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with the 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 knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

4 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 legislation and for such internal control as management determines is 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.

5 AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error and to issue an audit report that includes the audit 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 the audit 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 audit 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 the audit report to the related disclosures in the financial statements or if such disclosures are inadequate to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit 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 the 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; and

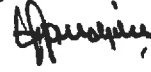
From the matters communicated with those charged with governance I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in the audit report unless law or regulation precludes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

6 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authority Act, (Act No. 23 of 1992) except that they were only submitted to the Auditor-General on 30 September 2024 instead of three months after the financial year-end;
- The financial statements for the financial years ended 30 June 2024 have not yet been submitted at the time of finalising this audit report.
- The Council did not comply to the Government Gazette 6 of 2012 paragraph 8 (J) (bb) the scoping report shall include "a draft management plan, which includes as far as is reasonably practicable, measures to rehabilitate the environment affected by the undertaking of the activity or specified activity to its natural or predetermined state or to a land use which conforms to the generally accepted principle of sustainable development".

7 KEY PERFORMANCE INDICATOR (KPI) AUDIT

The auditors encountered considerable limitations in their assessment of strategic plan implementation and performance management effectiveness. A signed Strategic Plan was available, however the Council failed to provide an Annual Plan and other Performance Management information, hindering a comprehensive audit for that year as well.



WINDHOEK, July 2025

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2022 N\$	2021 restated N\$
ASSETS			
Current assets		47 494 555	*47 835 672
Inventories	5	38 302 788	38 732 821
Accounts receivables	6	3 209 150	3 027 187
Other accounts receivables	7	1 144 384	1 132 554
Current portion of long term receivables	8	28 857	22 886
Restricted cash	9	3 722 819	2 473 085
Unrestricted cash	9	1 001 519	2 362 765
Prepayments	10	85 038	84 375
Non-current assets		230 128 367	*232 856 304
Property, plant, and equipment	2	212 269 785	217 943 189
Investments	3	17 058 730	14 542 979
Long term receivables	4	799 852	370 137
TOTAL ASSETS		277 622 922	280 691 976
NET ASSETS AND LIABILITIES			
Current liabilities		14 356 865	16 299 757
Accounts payables: non-exchange transactions	11	533 203	533 203
Accrued creditors	12	3 011 910	2 508 707
Accounts payables exchange transactions	13	1 329 486	3 586 387
Employee provisions	14	1 402 951	1 424 444
Land compensation provision	15	7 920 262	8 123 107
Value added tax payable	16	159 053	123 909
Net Assets/Equity		263 266 057	264 392 220
Build Together fund	28	4 143 647	3 981 294
Accumulated surplus / deficit		259 122 410	260 410 926
TOTAL RESERVES AND LIABILITIES		277 622 922	*280 691 976

*Difference of N\$ 1 noted (more with N\$ 1)

THE TOWN COUNCIL OF OSHIKUKU

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

		2022	2021
	Note	N\$	restated N\$
Revenue			
Revenue from exchange transactions		13 513 583	13 490 254
Charges for services	17	9 153 458	9 517 671
Rental revenue	18	221 725	223 999
Surcharge revenue	19	405 191	406 982
Other revenue	20	1 059 584	921 714
Interest revenue	21	2 673 625	2 419 888
Revenue from non-exchange transactions		5 416 195	6 824 322
Property rates and taxes	22	5 251 195	4 802 975
Government & other departments transfer	23	165 000	2 021 347
Expenses		21 045 123	29 508 754
General and administration expenses	24	3 797 822	11 627 302
Employee costs	25	8 038 965	7 939 843
Board remuneration	25	483 092	483 092
Repairs and maintenance	26	290 115	848 615
Bulk Purchases	27	2 790 368	2 853 949
Depreciation	2	2 503 964	2 400 460
Regional Council 5% levy	11	262 560	240 149
Employee contribution		168 040	1 424 444
Allowance for doubtful debts	6	2 710 197	1 690 900
Deficit for the year		(2 115 345)	(9 194 178)

THE COUNCIL OF OSHIKUKU

STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE

	Note	Funds and accounts N\$	Accumulated surplus/deficit N\$	Total net assets/equity N\$
Opening balance as at 01 July 2020		3 981 294	49 405 499	53 386 793
Change in accounting policy	29	-	(177 631)	(177 631)
Adjustments to equity	30	-	220 377 236	220 377 236
Total adjustments to equity		-	220 199 605	220 199 605
Surplus or deficit for the year		-	(9 194 178)	(9 194 178)
Net position as at 30 June 2021		3 981 294	260 410 926	264 392 220
Direct adjustments to equity	31	-	892 970	892 970
Surplus or deficit for the year		-	(2 115 345)	(2 115 345)
Transfers to funds and accounts		162 353	(66 141)	96 212
Sub-total		162 353	(1 288 516)	(1 126 163)
Net position as at 30 June 2022		4 143 647	259 122 410	263 266 057

There were transfers to funds and accounts during the financial year. At adoption of full IPSAS beginning 01 July 2022, no transfers to funds and accounts are to be made in any financial year where a deficit is reported.

THE COUNCIL OF OSHIKUKU
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE

	2022	2021
	N\$	N\$
Cash flow from operating activities		
Receipts	14 109 811	16 086 373
Sale of goods and services	14 058 561	14 182 440
Government grants and subsidies	-	1 856 347
Interest received	51 250	47 586
Payments	(14 288 435)	(12 215 956)
Employee costs and councillors remuneration	(8 522 057)	(8 422 935)
Cash paid to suppliers	(5 766 378)	(3 793 022)
Net cash flow from operating activities	(178 624)	3 870 416
Cash flows from investing activities		
Purchase of property, plant, and equipment	(458 591)	(1 457 858)
Direct charge to build together	-	-
Net cash flows from investing activities	(458 591)	(1 457 858)
Cash flow from financing activities		
Construction of property, plant and equipment	-	-
Proceeds from sale of plant and equipment	525 703	674 688
Net Cash flow from financing activities	525 703	674 688
Net increase / (decrease) in cash and cash equivalents	(111 512)	3 087 247
Cash and cash equivalents at the beginning of the year	4 835 850	1 748 603
Cash and cash equivalents at the end of the year	4 724 337	4 835 850

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

Figures in Namibia dollar	Original Budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorized expenditure	Variance	Variance
	N\$	N\$	N\$	N\$	N\$	N\$	%
Statement of surplus or deficit							
Revenue: exchange transactions							
Charges for services	11 950 000	-	11 950 000	9 153 458	-	(2 796 542)	(23%)
Rental revenue	194 000	-	194 000	221 725	-	27 725	14%
Surcharge revenue	500 000	-	500 000	405 191	-	(94 809)	(19%)
Other revenue	1 517 000	-	1 517 000	1 059 584	-	(457 416)	(30%)
Interest revenue	1 960 300	-	1 960 300	2 673 625	-	713 325	36%
Sub-total	16 121 300	-	16 121 300	13 513 583	-	(2 607 717)	(16%)
Revenue: non-exchange transactions							
Property rates and taxes	5 750 000	-	5 750 000	5 251 195	-	(498 805)	(9%)
Government & other departments transfer	1 270 700	-	1 270 700	165 000	-	(1 105 700)	(87%)
Sub-total	7 020 700	-	7 020 700	5 416 195	-	(1 604 505)	(23%)
Total revenue	23 142 000	-	23 142 000	18 929 778	-	(4 212 222)	(18%)

THE COUNCIL OF OSHIKUKU

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE (Continued)

Figures in Namibia dollar	Original	Budget	Final adjusted	Actual	Unauthorized	Variance	Variance
	Budget	adjustments	budget	outcome	expenditure	N\$	%
	N\$	N\$	N\$	N\$	N\$	N\$	%
Expenses							
General and administration expenses	4 799 980	-	4 799 980	3 797 822	-	1 002 158	21%
Employee costs	8 964 161	-	8 964 161	8 038 965	-	925 196	10%
Board remuneration	483 086	-	483 086	483 092	-	(5.92)	0%
Repairs and maintenance	375 400	-	375 400	290 115	-	85 285	23%
Bulk Purchases	4 150 000	-	4 150 000	2 790 368	-	1 359 632	33%
Depreciation	-	-	-	2 503 964	-	(2 503 964)	(100%)
Regional Council 5% levy	287 500	-	287 500	262 560	-	24 940	9%
Bonus contribution	-	-	-	161 988	-	(161 988)	(100%)
Leave contribution	-	-	-	6 052	-	(6 052)	(100%)
Allowance for doubtful debts	-	-	-	2 710 197	-	(2 710 197)	100%
Total expenses	19 060 127	-	19 060 127	21 045 123	-	(1 984 996)	(10%)
Surplus or deficit for the year	4 081 873	-	4 081 874	(2 115 344)	-	6 197 218	152%

THE COUNCIL OF OSHIKUKU

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE (Continued)

Figures in Namibia dollar	Original Budget N\$	Budget adjustments N\$	Final adjusted budget N\$	Actual outcome N\$	Unauthorised expenditure N\$	Variance N\$	Variance %
Capital budget statement of comparison							
Transfers recognised - capital	-	-	-	-	-	-	-
Capital expenditure and funds sources	288 000	-	288 000	458 591	-	170 591	59%
Total capital expenditure	288 000	-	288 000	458 591	-	170 591	59%
Sources of capital funds							
Transfers recognised - capital	-	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-	-
Internally generated funds	288 000	-	288 000	458 591	-	170 591	59%
Total: Sources of capital funds	288 000	-	288 000	458 591	-	170 591	

No funds for capital projects were received from the Line Ministry during the financial year ended 30 June 2022. The variance arose from capital projects from prior year which were completed in the current financial year.

THE COUNCIL OF OSHIKUKU

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE (Continued)

	Final					Variance	%
	Original Budget	Budget adjustments	adjustment budget	Actual outcome	Unauthorized expenditure	N\$	
Figures in Namibia dollar	N\$	N\$	N\$	N\$	N\$	N\$	
Unappropriated operational expenditure							
Animal feed research	2 000	-	2 000	-	-	2 000	100%
Build Together insurance	15 000	-	15 000	-	-	15 000	100%
Build Together home owner	15 000	-	15 000	-	-	15 000	100%
Water sampling	5 000	-	5 000	-	-	5 000	100%
Dumping site cleaning	50 000	-	50 000	-	-	50 000	100%
Mayoral entertainment	7 000	-	7 000	-	-	7 000	100%
2xSBA pressure test	2 800	-	2 800	-	-	2 800	100%
Trade Fair & Expo	20 000	-	20 000	-	-	20 000	100%
General valuation	247 000	-	247 000	-	-	247 000	100%
Refund water deposit business	3 000	-	3 000	-	-	3 000	100%
Malaria spray campaigns	10 000	-	10 000	-	-	10 000	100%
Medical check-up	20 000	-	20 000	-	-	20 000	100%
Street signs and road signs	50 000	-	50 000	-	-	50 000	100%
CAD license	35 000	-	35 000	-	-	35 000	100%
Road maintenance - RFA	770 700	-	770 700	-	-	770 700	100%
Air conditioners yearly service	35 000	-	35 000	-	-	35 000	100%
Servicing of fire truck	35 000	-	35 000	-	-	35 000	100%
Cellphone Mayor/Deputy Mayor/MC	8 000	-	8 000	-	-	8 000	100%
New dumping site	100 000	-	100 000	-	-	100 000	100%
Construction of record room	238 000	-	238 000	-	-	238 000	100%
Subsidy operational expenses	789 398	-	789 398	-	-	789 398	100%

THE COUNCIL OF OSHIKUKU

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE (Continued)

Figures in Namibia dollar	Original Budget	Budget Adjustment	Final adjustment budget		Actual outcome	Unauthorized expenditure	Variance	Variance
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	%
Statement of comparison of budget and actual amounts - (continued)								
Unappropriated operational expenditure (continued)								
Shifting of electrical infrastructure	280 000	-	280 000	-	-	-	280 000	100%
Food themometer	4 000	-	4 000	-	-	-	4 000	100%
Cell phone manager	4 000	-	4 000	-	-	-	4 000	100%
Water pump	35 000	-	35 000	-	-	-	35 000	100%
Total unappropriated expenditure	2 780 898	-	2 780 898	-	-	-	2 780 898	100%
Unearned operational revenue								
BT loan repayment instalment	20 000	-	20 000	-	-	-	20 000	(100%)
Road maintenance - RFA	770 700	-	770 700	-	-	-	770 700	(100%)
Rental tents	3 000	-	3 000	-	-	-	3 000	(100%)
Cultural Heritage	10 000	-	10 000	-	-	-	10 000	(100%)
Build Together program	800 000	-	800 000	-	-	-	800 000	(100%)
Retention Cultural Heritage	40 565	-	40 565	-	-	-	40 565	(100%)
Total unearned operational revenue	1 644 265	-	1 644 265	-	-	-	1 644 265	(100%)

THE COUNCIL OF OSHIKUKU
BUDGET COMMENTS ON VARIANCES FOR THE YEAR ENDED 30 JUNE

Charges for services

The variance of 23% is due to a change in accounting policy where revenue from property sales is recognised only when the full purchase price is received. Partial payments on plot purchases were allocated to property sales liabilities.

Rental revenue

The variance of 14% arose from an unanticipated decrease in site rental and community hall rental.

Other revenue

The variance of 30% is due to collections from various revenue lines being lower than anticipated.

Interest revenue

The variance of 36% is due to an increase in accounts receivables on which the interest is charged.

Government & other departments transfer

Budgeted transfers the Town Council anticipated to receive from the Ministry of Urban and Rural Development were not released.

General and administration expenses

General and administration expenses for the year were overbudgeted.

Repairs and maintenance

Repairs and maintenance expenditure variance of 23% was due to a decrease in repairs to items of property, plant and equipment.

Bulk purchases

The variance of 33% was due to reduced billing by Namwater Corporation.

Depreciation

The Town Council did not budget for depreciation during the financial year.

Bonus contribution

The Town Council did not budget for bonus provision from which bonus contribution arises.

Leave contribution

Leave contribution was not budgeted for. The Town Council budgets for leave gratuity which is an anticipated pay-out upon termination of employment.

Allowance for doubtful accounts

The Town Council did not budget for an allowance for doubtful accounts.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE

1. Basis of preparation and significant accounting policies

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

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information. As a result of taking advantage of exemptions that affect fair presentation, The Town Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2021.

The Town Council intends to recognise and /or measure its assets, and liabilities as specified in IPSAS 33 paragraph 39, by 30 June 2022 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that Oshikuku Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS.

Presentation currency and rounding

The financial statements are presented in Namibia dollars which is the Town Council's presentation and functional currency, and all values, including Councillors' remuneration disclosures in note 25 are rounded off to the nearest dollar.

1.1 Changes in accounting policy

Accounting policies applied to all IPSASs that Oshikuku Town Council has adopted may not be consistent in some instances with how financial information was being reported in prior financial periods and beyond. IPAS 3, allows a change in accounting policy where such a change:

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.2 Transitional exemptions that do not affect fair presentation

In its transitional financial statements, the Oshikuku Town Council adopted the following IPSAS which do not affect fair presentation and applied their provisions in full unless stated otherwise;

IPSAS 1, Presentation of Financial Statements

IPSAS 2, Statement of Cash Flows

IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors

IPSAS 9, Revenue from Exchange Transactions

IPSAS 14, Events after Reporting Date

IPSAS 19, Provision, Contingent liabilities and Contingent Assets

IPSAS 20, Related Party Disclosures

IPSAS 21, Impairment of Non-cash Generating Assets

IPSAS 23, Revenue from Non-exchange Transactions

IPSAS 24, Presentation of Budget Information in the Financial Statements

IPSAS 28, Financial Instruments: Presentation

IPSAS 30, Financial Instruments: Disclosures

IPSAS 41, Financial Instruments

1.2.1 IPSAS 1, Presentation of financial statements

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

Further, the standard encourages the presentation of comparative figures, but does not make the presentation of comparative figures mandatory. In its second year of the three-year transitional period, Oshikuku Town Council presents comparative figures in accordance with IPSAS 33, paragraph 78 and has included in these financial statements non-IPSAS historical summaries (where necessary) in accordance with the previous accounting basis and disclose the nature of the main adjustments that would be required to comply with IPSAS where necessary.

Oshikuku Town Council disclosures

Disclosures follow the prescribed IPAS 1, presentation of financial statements model. Additional line items, sub-headings are added where necessary. Other disclosures required should include the judgments that management made in the process of applying accounting policies.

**THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)**

1.2.2 IPSAS 2, Statement of cash flows

This standard requires the provision of information about the changes in cash and cash-equivalents during the financial period from operating, investing and financing activities.

Oshikuku Town Council disclosures

The statement of cash flow shall report cash flows from three categories namely operating activities, investing activities, and financing activities. The statement of cash flow shall be prepared using the direct method.

1.2.3 IPSAS 3, Accounting policies, changes in accounting estimates and errors

This standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosures of changes in accounting policies, changes in accounting estimates and errors.

Oshikuku Town Council disclosures

Changes to accounting policies shall be applied retrospectively by restating prior year financial statements unless impracticable. Changes in accounting estimate shall be applied in the financial period of change and prospectively. All changes relating to IPSAS adoption shall be applied in the year of adoption and prospectively except for opening balances which will be restated for initial transition to IPSAS. Correction of material errors in the preparation of financial statements of one or more periods are corrected retrospectively by restating comparative period amounts. Where IPSAS does not provide guidance as to whether a change is a change in accounting policy or a change in accounting estimate, the change shall be considered to be a change in accounting estimate.

1.2.4 IPSAS 9, Revenue from exchange transactions and events

IPSAS 9 prescribes the accounting requirements for when to recognize revenue from exchange transactions and events during the financial period. The exchange of goods can be (i) the sale of goods, (ii) rendering of services (iii) interest, royalties, dividends and similar distributions.

Oshikuku Town Council disclosures

Oshikuku Town Council shall disclose the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving rendering of services; the amount of each significant category of revenue recognised during the period and the amount of revenue arising from exchanges of goods and services.

**THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)**

1.2.5 IPSAS 14, Events after the reporting period date

This standard prescribes when the entity shall adjust its financial statements for events after the reporting date and disclosures that the entity should give about the date when the financial statements were authorized for issue, and about events after the reporting period. The standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate (if those responsible for the preparation of financial statements or the governing body determine after the reporting date that there is no realistic alternative but to do so).

Oshikuku Town Council disclosures

The Town Council shall disclose the date when the financial statements were authorized for issue, and the name and identity of the person giving that authorization. No other body shall have the power to amend or direct the amendment of financial statements except the Auditor-General directing such amendment in terms of statutory audit for the purposes of adding value to the Town Council's financial reporting.

1.2.6 IPSAS 19, Provisions, contingent liabilities, and contingent assets

The objective of this standard is to identify the circumstances in which provision, contingent liabilities, and contingent assets should be recognised, how they should be measured and the required disclosures in the financial statements.

Oshikuku Town Council disclosures

The Town Council is guided by the definition of an obligation as per the standard. The Town Council shall record an obligation that derives from a contract (through its implicit and/or explicit terms), legislation or operation of the law (legal obligation), and an obligation that derives from the Town Council's actions whereby an established pattern of past practice, published policies, or sufficiently specific current statement, the Town Council has indicated to other parties that it will accept certain responsibilities; as and as a result, the entity has created a valid expectation on the part of those parties that it will discharge the obligation.

1.2.7 IPSAS 20, Related party disclosures

The objective of this standard is to set the standard requirements for transactions between Oshikuku Town Council and its related parties in certain circumstances. Related party relationships are disclosed in the notes to the financial statements. Transactions where they occur within a normal relationship of supplier and recipient and on arms-length terms are also disclosed.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

Oshikuku Town Council disclosures

The Town Council shall disclose related party transactions and management remuneration (including an analysis type of remuneration). With respect to related parties, the Town Council shall disclose the nature of the related party relationship, and type of transactions that have occurred.

1.2.8 IPSAS 21, Impairment of non-cash generating assets

This standard prescribes the procedures that the Town Council applies to determine whether a non-cash generating asset is impaired, and to ensure that impairment losses are recognised. This standard further specifies when an impairment loss can be reversed and prescribes disclosures.

Oshikuku Town Council disclosures

The Town Council shall disclose the amount of impairment loss recognised in surplus or deficit during the period, the amount of reversal of impairment loss recognised in surplus or deficit.

1.2.9 IPSAS 23, Revenue from non-exchange transactions

The objective of this Standard is to prescribe requirements for accounting for revenue arising from non-exchange transactions where there is no exchange of equal value in return.

Oshikuku Town Council disclosures

The Town Council shall disclose

- (a) The amount of revenue from non-exchange transactions recognised during the financial year by major classes showing separately:
 - (i) Rates and Taxes
 - (ii) Transfers from government and other departments, donations and pledges
- (b) The amount of receivables recognized in respect of non-exchange revenue.
- (c) The amount of liabilities recognized in respect of transferred assets subject to conditions.
- (d) The amount of assets recognized that are subject to restrictions and the nature of those restrictions.
- (e) The existence and amounts of any advance receipts in respect of non-exchange transactions.
- (f) The amount of any liabilities forgiven.
- (g) The accounting policies adopted for the recognition of revenue from non-exchange transactions; for major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured; information about type of major classes of bequests, gifts, donations showing separately major classes of goods in-kind received. The Town Council shall also disclose the nature and type of major classes of services in-kind received, including those not recognized.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.2.10 IPSAS 24, Presentation of budget information in financial statements

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

Oshikuku Town Council disclosures The Town Council shall disclose reconciliation between actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts. The Town Council shall disclose the budgetary basis and classification basis adopted in the approved budget and the financial period of the approved budget. Explanation of variances between the final budget and actual as presented in the comparison shall be disclosed to in the notes to the financial statements.

1.2.11 IPSAS 28 and 30 Financial instruments: Presentation, and Disclosure

These standards entail the criteria for recognising financial instruments in the Town Council's financial statements and the measurement of their carrying value, and the provision of information about factors that affect the amount, timing and certainty of future cash flows related to financial instruments, and the risks associated to those financial instruments. For the Town Council, the main financial instruments are accounts receivables, and accounts payables. The cash pool balance is treated as cash and cash equivalents.

Oshikuku Town Council disclosures

The Town Council will disclose information as required by IPSAS 30. IPSAS 30 requires disclosure of information about the significance of financial instruments for the Town Council's financial position and financial performance.

1.2.12 IPSAS 41, Financial instruments

The purpose of this standard is to establish principles for the reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessments of the amounts, timing and uncertainty of an entity's future cash flows.

Oshikuku Town Council disclosures

The Town Council shall disclose the amount of exchange differences recognised in surplus or in deficit, except for those arising on financial instruments measured at fair value through surplus or deficit.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.3 Expense recognition

Under IPSAS, there is no specific standard that prescribes the accounting treatment of expenses and expense recognition. The accounting for this area arises from the fundamental principle of accrual basis accounting. As per IPSAS 1, presentation of financial statements, under the accrual basis, expenses are recognised when the transaction or event that causes the expense occurs. Expenses shall be analysed by nature in the statement of surplus or deficit.

The accounting policies which relate to the IPSASs set out above have been developed and adopted by the Town Council and were applied in presenting its financial information for the year beginning 01 July 2019. The accounting policies form part of these financial statements and are subject to continuous review and improvement during the transitional period.

1.4 Transitional exemptions that affect fair presentation

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

IPSAS 12, Inventories
 IPSAS 16, Investment property
 IPSAS 17, Property, plant and equipment
 IPSAS 29, Financial instruments: Recognition and measurement.

1.5 IPSASs not adopted by Oshikuku Town Council

The International Public Sector Accounting Standards listed below have not yet been adopted for the purposes of reporting financial information for the year ended 30 June 2021. Management shall apply any of the IPSAS where the Town Council's future transactions render it necessary to apply the provisions of the respective IPSAS.

IPSAS 4, The effects of changes in foreign exchange rates
 IPSAS 5, Borrowing costs
 IPSAS 10, Financial reporting in hyperinflationary times
 IPSAS 11, Construction contracts
 IPSAS 13, Leases
 IPSAS 16, Investment property
 IPSAS 26, Impairment of cash-generating assets
 IPSAS 27, Agriculture

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.5 IPSASs not adopted by Oshikuku Town Council (Continued)

IPSAS 31, Intangible assets

IPSAS 32, Service concession arrangements: Grantor

IPSAS 34, Separate financial statements

IPSAS 36, Investment in associates and joint ventures

IPSAS 37, Joint arrangements

IPSAS 38, Disclosure of interest in other entities

IPSAS 40, Public sector combinations

1.6 Significant judgments and sources of estimation uncertainty

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

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

Management has exercised the following significant judgments in applying accounting policies. The judgments exercised by management incorporate recent developments regarding the impact of the corona virus and its implications on the Town Council's financial reporting.

1.6.1 Provisions, contingent liabilities, and contingent assets

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets. In light of the corona virus (an event that existed as at the reporting date), management's actions are only accounted for as a provision to the extent that there is a present obligation for which the outflow of economic benefits is probable and can be reliably measured.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.6.2 Accounts receivables, loans, and other receivables

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

As a prudent precaution on accounts receivables, management shall make an allowance for credit losses where an allowance for credit losses shall be shown as an expense in the statement of surplus or deficit. Accounts receivables shall be presented on the face of the statement net of allowance for receivables. Management judges that the directive from the government requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) will increase uncollectable receivables as those customers were already defaulting on payments before the corona virus pandemic.

1.6.3 Allowance for slow moving, obsolete or damaged inventory items

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

1.6.4 Useful lives of items of property, plant, and equipment

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

A summary of significant accounting policies which have been applied in the preparation of these annual financial statements are disclosed below:

1.7 Offsetting

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

1.8 Value added tax (VAT) on goods and services

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

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

Commitments or contingencies are disclosed exclusive of value added tax.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.9 Budget information

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

The approved budget was prepared on modified basis and covers the financial period beginning 01 July 2021 and ending 30 June 2022.

Comparative information shall not be required for the budget.

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

The budget has been prepared on modified accrual basis and the financial statements have been prepared on the full accrual basis. A separate statement of comparison of actual and budget has henceforth been presented and forms part of these financial statements.

1.10 Going concern

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

Management judges that considerations for the potential implications of corona virus and the measures taken to control it when assessing the entity's ability to continue as a going concern are critical. Further, management judges that the government lockdown programme which initially was focused on Erongo Region is a material development which could have reasonably been expected to affect other parts of the country post reporting date.

1.11 Revenue

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.11.1 Revenue from exchange transactions

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

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

Recognition

a) Rendering of services

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

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

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

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

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

b) Sale of goods

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.11.1 Revenue from exchange transactions (Continued)

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

Measurement

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

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

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

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.11.2 Revenue from non-exchange transactions

Town Council is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, for reporting periods beginning on a date within 3 years of first-time adoption of this standard. However, the Town Council's IPSAS task force recommended the application of transitional provisions to the extent necessary to achieve compliance with this IPSAS.

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

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

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

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

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

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

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

Recognition

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

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.12 Investments

The Town Council holds an equity instrument in NORED in accordance with IPSAS 28, Financial Instruments: Presentation. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. IPSAS 33 provides that a first-time adopter applies the criteria in IPSAS 28 financial instruments classified as equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in IPSAS 28 (Paragraphs 13).

1.13 Property plant and equipment

The Town Council has adopted IPSAS as set out in the basis for preparation paragraph above. Amongst the IPSASs adopted is IPSAS 17 Property, Plant and Equipment (PPE). In its previous basis of accounting, the Town Council did not have an accounting policy for the recognition, and measurement of items of PPE that is consistent with IPSAS 17, Property, Plant and Equipment.

The Town Council is in the process of recognising and/or measuring its items of property, plant and equipment for inclusion in the financial statements during the transitional period beginning 01 July 2019. The process of recognising and measuring items of property, plant, and equipment necessitates a continuous development of accounting policies relating to those items of PPE subsequently brought to the statement of financial position.

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

Recognition

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

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.13 Property, plant and equipment (Continued)

Initial measurement

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

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

Where an item of PPE is acquired in exchange for non-monetary asset(s) or monetary asset(s), or a combination of monetary and non-monetary asset(s), the asset acquired is initially measured at fair value.

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

The cost of an item of PPE includes costs incurred initially to acquire or construct an item of PPE and costs subsequently incurred to add to, and/or to replace part of the item of PPE. If a replacement cost is recognised in the carrying amount of an item of PPE, the carrying amount of the replaced item of PPE is derecognised.

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

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

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

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.13 Property, plant and equipment (Continued)

Initial measurement (Continued)

PPE is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated.

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Minor assets below NAD\$ 1 000 are not depreciated. They are expensed in the year of acquisition.

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

Items of PPE are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the derecognition of an item of PPE are recognised in the statement of surplus or deficit as other income. The gain or loss arising from the derecognition of an item of PPE is determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item.

Assets which the Town Council holds for rental to others and subsequently routinely sells as part of the ordinary course of activities are transferred to inventories when the rentals end and they are available-for-sale. These assets are not accounted for as non-current assets held for sale.

Proceeds from sale of these assets are recognised as revenue. Profit or loss from the disposal of these assets are included in the cash flow statement under operating activities.

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

The depreciation charge for each period is recognised in the statement of surplus or deficit unless it is included in the cost of another asset. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The useful lives of items of property, plant and equipment have been assessed as follows:

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.13 Property, plant and equipment (Continued)

Initial measurement (Continued)

Type of Asset	Depreciation Method	(Average) Useful life
Land and Buildings	Straight line	50
Furniture and Fittings	Straight line	5
Computer & Office Equipment	Straight line	(5-10)
Plant and Machinery	Straight line	(5-15)
Motor Vehicles	Straight line	5
Infrastructure	Straight line	50

The useful life of each item of property, plant and equipment is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.13.1 Site restoration and dismantling costs

The Town Council has an obligation to dismantle, remove and/or restore items of property, plant and equipment in circumstances where dismantlement, removal or restoration is necessitated. At recognition of an item of PPE, the cost shall include the initial estimates of costs of dismantling and removing the item and restoring the site on which it is located as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period. This accounting policy is attributable to the dumpsite under ownership and control of the Town Council.

Measurement using the cost model:

- a) Subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of surplus or deficit;
- c) If the adjustment results in an addition to the cost of the asset, the Town Council considers whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised the statement of accumulated surplus or deficit on the date of the adoption of IPSAS and/or in subsequent accounting periods within the transitional period. The Town Council may rely on further guidance in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.14 Inventories

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

Subsequently, inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion, and the estimated costs necessary to make the sell, exchange or distribution.

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

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

When inventories are sold and/or used, the carrying amounts of those inventories are recognised as expenses in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or services are rendered.

The amount of any write-down of inventories to net realisable value and all losses on inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value are recognised as a reduction in the amount, of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.1. Provisions and contingencies (Continued)

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

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

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

Provisions are not recognised for future operating deficits.

If the Town Council has an onerous contract, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.16 Employee benefits

Employee benefits are all forms of consideration given by Oshikuku Town Council in exchange for services rendered by employees. There are four categories of employee benefits:

- Short term employee benefits
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits

The categories are explained below together with the Town Council's employee benefits included in these categories.

1.16.1 Short term employee benefits

Short term employee benefits are benefits payable within a year from the end of the year in which an employee rendered services. Within Oshikuku Town Council, this category includes wages and salaries, fixed and variable allowances, social security contributions, paid sick leave, and variable short-term remuneration. The costs of these employee benefits are recognised in the statement of surplus or deficit when the service is rendered, or the rights to benefits are accrued.

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.16.2 Post-employment benefits

These are employee benefits that fall due after the completion of employment. Post-employment benefits include pension and job-related early retirement. Oshikuku Town Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN). The retirement fund was established in March 1992 and is registered in terms of both the pension Fund Act, No. 24 of 1956 and Income Tax Act. The pension plan is regarded as a group scheme involving more than one employer qualifying it as a defined contribution plan because:

- The affiliated employers have no supplementary obligation to make additional contributions in the event of a deficit at RFLAUN nor are they entitled to any surpluses in addition to paying the premium set by RFLAUN;
- The members bear the actuarial and investment risk in full; and
- Each year, the premium is set by RFLAUN board on the basis of its own file data, with due regard for prescribed parameters or requirements.

Accordingly, in measuring the obligation arising from the pension plan, the Town Council recognises pension contributions payable as an expense in the statement of surplus or deficit.

1.16.3 Other long-term employee benefits

These are employee benefits which do not wholly fall due within a year of the end of the period in which the employee renders the service. 1.16.4 Termination benefits These are benefits paid as a result of the Town Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised at the present value of the obligation.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

1.18 Fruitless and wasteful expenditure

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

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

THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)

1.19 Conditional grants and receipts

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

1.20 Debt forgiveness

The Town Council recognises revenue in respect to debt forgiveness when the former debt no longer meets the definition of a liability.

1.21 Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that future economic benefits or service potential will flow to the Town Council, and the fair value of the assets can be measured reliably.

1.22 Gifts and donations

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

Measurement

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

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

1.23 Fines

Assets arising from fines are measured at the best estimate of the inflow of resources to the Town Council.

1.24 Investments

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

**THE TOWN COUNCIL OF OSHIKUKU
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE
(Continued)**

1.25 Transfers

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

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

2 Property, plant and equipment - 2022

	2022			2021		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
	N\$	N\$	N\$	N\$	N\$	N\$
Figures in Namibia dollar						
Unserviced land	74 404 220	-	74 404 220	74 404 220	-	74 404 220
Serviced land	51 966 935	-	51 966 935	53 079 215	-	53 079 215
Buildings	8 570 509	(2 150 975)	6 419 535	8 570 509	(1 927 435)	6 643 075
Computers and office equipment	162 612	(82 666)	79 946	150 762	(65 153)	85 609
Furniture, fixtures, and fittings	382 057	(319 354)	62 703	382 057	(300 365)	81 692
Infrastructure	86 227 922	(15 990 462)	70 237 460	86 227 922	(14 026 793)	72 201 129
Motor vehicles	713 434	(616 807)	96 627	713 434	(561 699)	151 735
Plant and machinery	3 463 728	(2 413 334)	1 050 393	3 387 088	(2 188 189)	1 198 899
Work in progress	7 951 966	-	7 951 966	10 097 616	-	10 097 616
Totals	233 843 383	(21 573 598)	212 269 785	237 012 822	(19 069 634)	*217 943 189

*Difference of N\$ 1 noted between the carrying amount disclosed on the statement of financial position and that disclosed in the notes.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)

Schedule of additions			Schedule of work in progress		
PPE class	2022	2021	Project type	2022	2021
Figures in Namibia dollar	N\$	N\$	Figures in Namibia dollar	N\$	N\$
Computers and office equipment	11 850	11 358	Sewer reticulation ext 4 and ext 9	-	1 576 541
Furniture, fixtures and fittings	-	19 996	Heritage Centre	145 479	955 057
Sewer and water	-	3 967 420	Electrification of extension 4	32 433	2 483 318
Infrastructure	-	1 358 404	Survey of extension 9	41 000	-
Plant and machinery	76 640	68 100	Animal pound kraal	4 783	-
Total additions	88 490	5 425 278	Storm water consultancy services	31 500	-
			Planning and formalisation	30 732	-
			Subdivision, and rezoning of erf 1557	84 175	-
			Total additions to work in progress	370 102	5 014 916

During the financial year, additions to property, plant and equipment totaled N\$ 88 490. Of this total, new computers and office equipment amounted to N\$ 11 850, Plant, machinery and equipment amounted to N\$ 76 640 while work in progress for various capital projects amounted to N\$ 370 102.

Insurance of N\$ 166 699 reported in the statement of surplus or deficit under administration expenses is a risk mitigatory cost relating to Oshikuku Town Council's items of property, plant and equipment except land.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)

2 Property, plant and equipment reconciliation – 2022 (continued)

	Work in progress	Land	Buildings	Comps & office equip	Furniture & fixtures	Infra structure	Motor vehicles	Plant and machinery	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance									
- 01 July 2021	10 097 616	127 483 435	6 643 075	85 609	81 692	72 201 129	151 735	1 198 899	217 943 189
Addition	370 101	-	-	11 850	-	-	-	76 640	458 591
Disposal	-	(1 112 280)	-	-	-	-	-	-	(1 112 280)
Sub total	370 101	(1 112 280)	-	11 850	-	-	-	76 640	(653 689)
Total	10 467 717	126 371 155	6 643 075	97 459	81 692	72 201 129	151 735	1 275 539	217 289 500
Transfer	-	-	-	-	-	-	-	-	-
Movement	(2 515 751)	-	-	-	-	-	-	-	(2 515 751)
Sub total	(2 515 751)	-	-	-	-	-	-	-	(2 515 751)
Total	7 951 966	126 371 155	6 643 075	97 459	81 692	72 201 129	151 735	1 275 539	214 773 749
Depreciation	-	-	(223 540)	(17 513)	(18 989)	(1 963 669)	(55 108)	(225 145)	(2 503 964)
Impairment	-	-	-	-	-	-	-	-	-
Sub total	-	-	(223 540)	(17 513)	(18 989)	(1 963 669)	(55 108)	(225 145)	(2 503 964)
Closing balance -									
30 June 2022	7 951 966	126 371 155	6 419 535	79 946	62 703	70 237 460	96 627	1 050 393	212 269 785

Disposal of land related to a private open space in extension 7 covering 27 807 square meters.

During the financial year, Oshikuku Town Council constructed electrical infrastructure disclosed under movements amounting to N\$ 2 515 751.

Following the completion of the project, and as pre usual practice, the infrastructure was transferred to NORED in the financial year ended 30 June 2022 in a collaborative arrangement which seeks to ensure efficient distribution of electricity in Oshikuku Town.

Refer to note 3 for a detailed disclosure of the status of the long term investment in NORED.

All items of property, plant and equipment have been recorded at historical cost, and none are held as security by creditors.

As at the reporting date, none of Oshikuku Town council assets were held for sale nor were there any discontinued operations.

As at the end of the reporting period, the Town Council had no contractual commitments for the purchase or construction of items of property, plant and equipment

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)

2 Property, plant and equipment - (continued)

Property, Plant and Equipment Reconciliation - 2021

	Work in progress	Land	Buildings	Comps & office equip	Furniture, fixture, & fittings	Infra structure	Motor vehicles	Plant and machinery	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance - 01 July 2020	9 050 119	-	6 866 615	89 341	80 069	68 729 758	214 960	1 356 577	86 387 439
Addition	5 014 916	-	-	11 358	19 996	1 358 404	-	68 100	6 472 774
Disposal	-	-	-	-	-	-	-	-	-
Sub total	5 014 916	-	-	11 358	19 996	1 358 404	-	68 100	6 472 774
Total	14 065 035	-	6 866 615	100 699	100 065	70 088 162	214 960	1 424 677	92 860 213
Transfers	(3 967 420)	-	-	-	-	3 967 420	-	-	-
Movement	-	127 483 435	-	-	-	-	-	-	127 483 435
Sub total	(3 967 420)	127 483 435	-	-	-	3 967 420	-	-	127 483 435
Total	10 097 615	127 483 435	6 866 615	100 699	100 065	74 055 582	214 960	1 424 677	220 343 649
Depreciation	-	-	(223 540)	(15 090)	(18 373)	(1 854 453)	(63 225)	(225 778)	(2 400 460)
Impairment	-	-	-	-	-	-	-	-	-
Sub total	-	-	(223 540)	(15 090)	(18 373)	(1 854 453)	(63 225)	(225 778)	(2 400 460)
Closing balance - 30 June 2021	10 097 615	127 483 435	6 643 075	85 609	81 692	72 201 129	151 735	1 198 899	*217 943 189

Difference of N\$ 1 noted between the recalculated amount and that disclosed in the notes.

**THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

2 Property, plant and equipment - (continued)

For the financial year ended 30 June 2021, Oshikuku Town Council revised the useful life of some its infrastructure assets from 15 years to 50 years.

The impact of the review and consideration for new estimates on the useful life of infrastructure assets was to enable an objective assessment of the financial performance of the Town Council's operations.

With a useful life of 15 years for major infrastructure items, excessive depreciation was being booked to the statement of surplus or deficit.

Having adopted and in the process of implementing accrual basis of IPSAS, the Town Council is required to budget for depreciation charges and align it with revenues for the financial year. It is management judgement that shorter useful lives of infrastructure result in the budgeting of higher levels revenue to cover higher-than-expected depreciation expenses.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
3 Long term investments		
Opening balance	14 542 979	14 542 979
Investments during the year	2 515 751	-
Closing balance	17 058 730	14 542 979

As at 30 June 2022, Oshikuku Town Council long term investments at cost amounted to N\$ 17 058 730. Investments represent the transfer of electrical infrastructure to NORED over the years.

During the financial year, additional investment in electrical infrastructure amounted to N\$ 2 515 751.

The transfer of electrical infrastructure to NORED (the investee) is an "electrical assets for equity" arrangement. This arrangement entitles NORED with control over transferred electrical infrastructure.

There were no disclosures of the equity stake held by investing entities (including Oshikuku Town Council) in the investee's financial statements. Furthermore, there have been no direct disclosures made to Oshikuku Town Council regarding its shareholding and the changes in the value of Oshikuku equity arising from new electrical assets transferred to the investee.

Management acknowledges the non-availability of the shareholding for Oshikuku Town Council significantly impacts the accuracy of the long term investments reported in these financial statements, and future strategic decisions the Town Council may have to make on the basis of the investment in the investee.

Further, NORED's shares are not publicly traded, therefore, fair valuation of the equity interest held by Oshikuku Town Council and other investing entities is unavailable.

Irrespective of the unknown shareholding, all other relevant information has been disclosed to these annual financial statements including the value of assets (at cost) transferred to the investing entity to date.

4 Long term receivables

The Build Together scheme is regulated by the National Housing Development Act 28 of 2000 S (9) paragraph (a - d) and Oshikuku Town Council controls and administers the scheme.

Under the previous accounting basis, the terms of Build Together loans were not modified to reflect circumstances where the borrower's financial difficulties dictate the loan be classified as concessionary or originated credit impaired.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
4 Long term receivables (Continued)		
Build Together long term receivables	799 852	370 137

Long-term receivables of N\$ 799 852 and N\$ 370 137 (2021) comprise loans advanced to Build Together beneficiaries for the sole purpose of constructing low cost housing.

During the financial year, the scheme did not receive any funds from the Line Ministry. However, eight new beneficiaries were admitted, and loans were issued from funds existing within the scheme.

Loans under the scheme are capped at N\$ 80 000 per beneficiary and interest on the loans ranges between 2% and 7% per annum simple interest with a 20 year loan term.

Long term receivables reported in these financial statements comprise the portion of Build Together loans redeemable in the future net of interest.

There is a risk that long-term receivables from the Build Together scheme may not be collected as expected. This risk arises as the scheme is primarily designed to serve low-income earners with a high risk of default.

The Town Council is developing a model to assess the likelihood of impairment for the long-term receivables from the Build Together scheme.

ANNEXURE H

THE TOWN COUNCIL OF OSHIKUKU NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)

	2022	2021
	N\$	N\$

5 Inventories

Inventories	38 302 788	38 732 821
Inventory - Service Erven (plots)	37 998 400	38 524 320
Inventory - Stores	304 388	208 501

Plots inventory reconciliation - 2022

Zonning by extension	Residential Sqm	General residential Sqm	Business Sqm	Institutional Sqm	Industrial Sqm	Total serviced land Sqm
Opening balance of serviced plots	513 827	9 626	243 512	598 136	122 543	1 487 644
Add newly serviced during the year	-	-	-	-	-	-
Donations in	-	-	-	-	-	-
Repossessions	-	-	-	-	-	-
Total movements in	-	-	-	-	-	-
Disposals as at 30 June 2022	(20 111)		(2 474)			(22 585)
Appropriations to government	-	-	-	-	-	-
Donations to other parties	-	-	-	-	-	-
Reclassifications to PPE						
Town Council plots	-	-	-	-	-	-
Reallocation to virgin land	-	-	-	-	-	-
Total appropriations out	(20 111)	-	(2 474)	-	-	(22 585)
Plots in inventory (sqm) - 30 June 2022	493 716	9 626	241 038	598 136	122 543	1 465 059
Price per square meter (N\$)	20.00	45.00	50.00	20.00	30.00	
Inventory value	9 874 320	433 170	12 051 900	11 962 720	3 676 290	37 998 400

During the financial year, the Town Council did not service any new land for business, institutional, residential or other purposes. Serviced erven allocated in prior years, and not fully paid for have been recognised in inventory.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)

5 Inventories (continued)
Inventory reconciliation as at 30 June 2021

Zonning by extension	General				Total serviced	
	Residential	General residential	Business	Institutional	Industrial	land
	Sqm	Sqm	Sqm	Sqm	Sqm	Sqm
Opening balance of serviced plots	594 864	17 192	290 870	599 362	122 543	1 624 831
Add newly serviced during the year	-	-	-	-	-	-
Donations in	-	-	-	-	-	-
Repossessions	-	-	-	-	-	-
Total movements in	-	-	-	-	-	-
Disposals as at 30 June 2021	(13 867)	-	(1 787)	-	-	(15 654)
Appropriations to government	-	-	-	-	-	-
Donations to other parties	(29 502)	(7 566)	-	(1 226)	-	(38 294)
Reallocation to virgin land	-	-	(45 571)	-	-	(45 571)
Impairment	(37 668)	-	-	-	-	(37 668)
Total appropriations out	(81 037)	(7 566)	(47 358)	(1 226)	-	(137 187)
Plots in inventory (sqm) - 30 June 2021	513 827	9 626	243 512	598 136	122 543	1 487 644
Price per square meter	20.00	45.00	50.00	20.00	30.00	-
Inventory value	10 276 540	433 170	12 175 600	11 962 720	3 676 290	38 524 320

The impairment of 37 668 square meters on inventory of serviced plots relates to 9 plots in extension 4, and 10 plots in extension 9 with dumpsite encroachment. Impairment relating to 40 plots in extension 1 is a restriction arising from the plots' proximity to the cemetery.

With the nature of the impairment being a restriction on the use of the plots for residential purposes, the Town Council has an option to commit the land covered by the plots to alternative uses other than residential, institutional, industrial and business.

No considerations for rezonning had been made as at the reporting date.

All plots impaired as a result of the dumpsite and the cemetery encroachment have been accounted under unserviced land. The impairment is not on the land itself but on the purposes for which the erven were earmarked at town planning stage.

The financial year ended 30 June 2021 is the first financial year for Oshikuku Town Council to recognise inventory of serviced plots on its statement of financial position, so there is a possibility that all plots may not have been recognised in inventory.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

	2022	2021
	N\$	N\$
6 Accounts receivables		
Accounts receivables consist of charges billed to consumers for goods and services which have been accumulating from previous years due to customers' inability to pay timeously.		
The accounts receivables balance therefore reflect the Town Council's maximum exposure to credit risk.		
Accounts receivables before adjustment	20 974 814	18 288 519
Adjustments to accounts receivables	1 551 140	1 345 274
Adjusted accounts receivables before allowance	22 525 954	19 633 793
Allowance for doubtful debts	(19 316 804)	(16 606 606)
Accounts receivables	3 209 150	3 027 187

Accounts receivables net of allowance for doubtful accounts amounted to N\$ 3 209 150 and N\$ 3 027 187 respectively.

The Town Council sets an allowance for doubtful accounts at 120 days past due. As a result of this policy, amounts of N\$ 19 316 804 and N\$ 16 606 606 within and over the 120 days period were regarded as doubtful.

During the financial year, there were no accounts receivables written-off as a result of the Town Council having reasonable expectations that such accounts are irrecoverable.

Accounts receivables are written-off when there is no expectation that they will be recoverable. Indicators that accounts receivables are not recoverable include death of the account holder.

The writing-off of accounts receivables includes the listing of accounts that qualify as irrecoverable and seeking the Council approval followed by subsequent write-offs. As at the end of the financial year, no accounts receivables were written-off.

Accounts receivables age analysis

Transaction	(1 079 471)	(1 044 283)
Current	86 268	305 564
30 Days	725 533	870 662
60 Days	641 452	597 498
90 Days	612 737	490 486
120 Days	671 492	461 985
120 Days+	19 316 804	16 606 606
Total accounts receivables as per age analysis	*20 974 814	*18 288 518

*Difference of N\$ 1 noted between the recalculated amount and that disclosed in the notes.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
6 Accounts receivables (continued)		
Adjustments:		
Unallocated accounts	928 720	948 145
NHE deposits	13 039	13 039
Property sales liability	192 072	216 797
Unearned revenue	415 331	165 050
Administration revenue	-	2 910
Departmental revenue	(667)	(667)
Consumer deposits	2 644	-
Total adjustments	*1 551 140	1 345 274

* Difference of N\$ 1 noted between the recalculated amount and that disclosed in the notes.

The net effect of adjustments amounted to N\$ 1 551 140, and N\$ 1 345 274 respectively.

Movements in adjustments of N\$ 192 072, and N\$ 216 797 (2021) were recorded on property sales liabilities. The movement was as a result of payments made by prospective purchasers of serviced plots.

Another noticeable movement of N\$ 415 331, and N\$ 165 050 (2021) relate to payments made by customers on services accounts which were in excess of goods and services rendered.

Allowance for doubtful accounts

Opening balance	16 606 606	14 915 706
Movement	2 710 197	1 690 900
Closing balance	*19 316 804	16 606 606

* Difference of N\$ 1 noted between the recalculated amount and that disclosed in the notes.

The increase in allowance for doubtful accounts amounted to N\$ 2 710 197, and N\$ 1 690 900 respectively.

The Town Council accounts for the increase in allowance for doubtful accounts as an expense in the statement of surplus or deficit.

7 Other accounts receivables

Adjusted accounts receivables	1 144 384	1 132 554
Surcharge receivables	63 336	67 202
Build together accounts	1 081 048	1 065 352

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

7 Other accounts receivables (continued)

Accounts receivables comprise surcharge revenue of N\$ 63 336, and N\$ 67 202 (2021) respectively.

Accounts receivables from Build Together of N\$ 1 081 048, and N\$ 1 065 352 represent beneficiaries of the Build Together fund not previously recognised on the statement of financial position.

The Town Council intends to integrate these accounts receivables in the pool of other Build Together accounts receivables in the financial year ending 30 June 2025 owing to the timing of the discovery of the omission.

2022	2021
N\$	N\$

8 Current portion of long term receivables**Current portion of long term receivables**

28 857	22 886
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Long term receivables are loans with a redemption requirement on the principal and interest portion.

The current portion of long term receivables of N\$ 28 857, and N\$ 22 886 (2021) represent amounts falling due within 12 months from the reporting date.

Changes in financial reporting requirements has affected the disclosure of the current portion of long-term receivables.

Due to the timing of the compilation of these financial statements, necessary changes to system reports could not be made.

Oshikuku Town Council anticipates making changes that would result in sufficient disclosures of the current portion of long term receivables in the financial year ending 30 June 2025.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

9 Cash and Cash equivalents

Cash held with financial institutions (including call accounts) satisfy the definition of cash and cash equivalents.

The carrying amount of cash and cash equivalents is considered a reasonable approximation of fair value.

Cash and cash equivalents is accessible within a period of less than 7 days upon notice to financial institutions.

There were no restrictions to cash and cash equivalents imposed externally by financial institutions.

Restricted cash & cash equivalents

Name of institution	Account name	Balance	Balance
		N\$	N\$
First National Bank	BT receipt account	1 170 344	1 111 562
First National Bank	BT call account	390 479	777 744
First National Bank	Investment account	2 161 996	583 779
Restricted cash		3 722 819	2 473 085

As at the reporting date, cash and cash equivalents subject to restrictions amounted to N\$ 3 722 819, and N\$ 2 473 085 respectively.

Restricted cash, and cash equivalents is cash unavailable for general uses, and purposes due to constraints imposed by law (for Build Together accounts), and internal constraints with respect to the investment account.

The investment account with an amount of N\$ 2 161 996, and N\$ 583 779 (2021) holds funds earned from the disposal of land, and other Council savings.

The restrictions on funds held in the investment account are limited to servicing of land and other capital projects on the Town Council's development plans.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

9 Cash and Cash equivalents (Continued)

Unrestricted Cash

Bank	Account name	Amount	Amount
		N\$	N\$
First National Bank	Call account	747 490	1 642 988
Bank Windhoek	NDP call account	27 743	27 700
First National Bank	Operational account	163 829	649 647
Oshikuku Town Council	Cash in transit	62 457	42 430
Unrestricted cash		1 001 519	2 362 765

Unrestricted cash and cash equivalents consist of cash available for use in the ordinary course of the Town Council's operations. Unrestricted cash balances amounted to N\$ 1 001 519, and N\$ 2 362 765 respectively.

Unrestricted cash and cash equivalents includes cash on hand, and demand deposits held with financial institutions.

2022	2021
N\$	N\$

10 Prepayments

Prepayments	85 038	84 375
Motor vehicle, plant & machinery licences	1 379	1 335
Insurance	83 659	83 040

Prepayments of N\$ 85 038 and, N\$ 84 375 (2021) are amounts recorded as assets in the statement of financial position.

These amounts represent payments made by the Town Council as coverage for future periods.

11 Accounts payables: non-exchange transactions

Accounts payables from non-exchange transactions represent obligations resulting in an outflow of service potential or economic benefits without an exchange of equal value in return.

Balances or portions of commitments that are due during the coming 12 months from the reporting date have been disclosed under current liabilities. Comprising such balances is the Regional Council 5% levy falling due on 30 June of every year.

The Regional Council obligation is levied in terms of The Local Authorities Act 1992 (Act No. 23 of 1992) Section 77

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
11 Accounts payables: non-exchange transactions		
(Continued)		
Accounts payables: non-exchange transactions	533 203	533 203
Opening accounts payables	533 203	516 691
Payments during the year	(262 560)	(223 637)
Regional Council 5% levy	262 560	240 149

The Regional Council levy is calculated at 5% of assessment rates and taxes levied on rateable properties (comprising land and improvements) within Oshikuku Local Authority area.

As at the reporting date, Oshikuku Town Council assessment rates and taxes levied on rateable property amounted to N\$ 5 251 195.

The 5% Regional Council levy on this amount was N\$ 262 560, while N\$ 240 149 was calculated for the comparative period.

Oshikuku Town Council honoured the 30 June 2022 financial year obligation in full while the reported balance of N\$ 533 203 is an accrual from prior years.

12 Accrued creditors

Accounts payables from exchange transactions represent an outflow of service potential where an approximately equal value is offered in return.

Accrued creditors	3 011 910	*2 508 707
Retention fees	408 796	344 920
Property sales liability	556 499	394 427
Unallocated deposits	928 720	948 145
Deposits on closed accounts	13 039	13 039
Unearned revenue	415 331	165 050
Consumer deposits	644 525	575 625
Membership fees	45 000	67 500

Accrued creditors amounted to N\$ 3 011 910, and N\$ 2 508 707 for the comparative period. Refer to the notes set-out below for detailed disclosure.

Retention fee	408 796	344 920
Electro Hinch	126 007	63 003
Emirates Trading	169 872	169 000
Gecko Investments	74 843	74 843
Tia Monika	38 074	38 074

* Difference of N\$ 1 noted between the recalculated amount and that disclosed in the notes

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

12 Accrued creditors (Continued)

Retention fee (Continued)

Retention fee held by the Town Council amounted to N\$ 408 796 and N\$ 344 920 respectively.

The Town Council keeps a retainer fee on capital projects for the purposes of ensuring work performed by contractors is as per agreed standards.

Any structural defects observable within 12 months of completion of construction are required to be remedied by the contractor where failure to do so may result in the retainer fee being permanently withheld.

	2022	2021
	N\$	N\$
Property sales liability		
Opening balance	364 427	177 631
Movement	192 072	216 797
Closing balance	*556 499	394 427

*Casted amount is N\$ 586 499, thus a difference of N\$ 30 000 noted

Property sales liabilities of N\$ 556 499, and N\$ 364 427 (2021) represent amounts received from prospective purchasers of serviced plots.

As per past practices, Oshikuku Town Council recognised revenue on plot sales upon issuing an offer to purchase letter after validating the purchaser's intentions.

With the recent adoption and implementation of accrual basis International Public Sector Accounting Standards (IPSAS), The Town Council changed its accounting policy resulting in a deferral on revenue recognition.

Under the new policy, payments made by customers are recognised as liabilities until the full purchase price is paid.

With this policy, plots are therefore continuously recognised in inventory pending full payment that triggers derecognition and the simultaneous recognition of revenue.

As at the reporting date coinciding with the financial year in which the change in policy became effective, there were 170 plots sold on account in prior years.

Amounts attributable to the sales are reflected as accounts receivables on the Town Council's age analysis.

Management decided not to account for these plots using the new accounting policy considering that the cost of realigning these account receivables far outweighs the benefit.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

12 Accrued creditors (Continued)

Property sales liability (Continued)

In consideration of the transition to full IPSAS, the plots have been ring fenced to allow derecognition overtime, as the accounts receivables are discharged through customer payments.

This approach allows management to derecognise the plots after full payments by customers and therefore complies with the requirements of the new policy.

	2022	2021
	N\$	N\$
Unallocated deposits	928 720	948 145

Unallocated deposits of N\$ 928 720 are balances credited to Oshikuku Town Council operational bank account as payment for municipal services rendered.

These balances are not traceable to any services accounts as there are no names of depositors or account numbers to which the deposits are to be allocated.

Deposits on closed accounts	13 039	13 039
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Deposits on closed accounts of N\$ 13 039 are voluntary amounts held on behalf of the National Housing Enterprise (NHE). These deposits shall be utilised for future water connections to new houses yet to be constructed.

Unearned revenue	415 331	165 050
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Unearned revenue of N\$ 415 331 and N\$ 165 050 (2021) comprise payments made for goods and services by account holders in advance or in excess of the total billing for the respective financial year.

Unearned revenue has been reported as a liability pending the rendering of an exchange of equal value in goods and/or services by the Town Council.

Consumer deposits

Opening balance	575 625	501 073
Receipts	77 267	84 939
Reallocation from accounts receivables	2 644	-
Refunds	(11 012)	(10 386)
Net movements during the year	68 899	74 553
Consumer deposits	*644 525	575 625

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE****(Continued)****12 Accrued creditors (Continued)****Consumer deposits (Continued)**

Consumer deposits comprise amounts collected by Oshikuku Town Council on water and other services accounts as a security against default in payment for services rendered.

During the financial year ended 30 June 2022, consumer deposits amounted to N\$ 644 525. An amount of N\$ 575 625 was recorded for the comparative period.

	2022	2021
	N\$	N\$
Membership fees	45 000	67 500
Opening balance	67 500	45 000
Payments during the year	(75 000)	(30 000)
Accrued during the year	52 500	52 500

As at the reporting date, membership fees outstanding amounted to N\$ 45 000 and N\$ 67 500 respectively.

The Town Council currently pays an annual membership subscription fee of N\$ 30 000 to the Association of Local Authorities in Namibia (ALAN), with N\$ 22 500 being the annual subscription payable to The Namibia Association of Local Authorities officials (NALAO).

13 Accounts payables - exchange transactions

	1 329 486	*3 586 387
Sundry creditors	984 031	1 306 437
Other creditors	345 455	2 279 949

Accounts payables from exchange transactions amounted to N\$ 1 329 486, and N\$ 3 586 387 respectively.

Sundry creditors of N\$ 984 031, and N\$ 1 306 437 (2021) represent numerous suppliers of goods and services rendered to Oshikuku Town Council.

Other creditors of N\$ 345 455, and N\$ 2 279 949 are solely creditors for capital projects undertaken in Oshikuku.

14 Employee Provisions

Employee Provisions	*1 402 951	1 424 444
Leave provision	1 240 962	1 234 911
Bonus provision	161 988	189 533

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

14 Employee Provisions (Continued)

Employee provisions have been recognised in accordance with IPSAS 19, Provisions, contingent liabilities, and contingent assets. Notes for these provisions have been set-out below.

	2022	2021
	N\$	N\$
Leave provision		
Opening balance leave provision	1 234 911	-
Movement during the year	6 052	1 234 911
Closing Balance of leave provision	*1 240 962	1 234 911

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

The provisions outlined in this note include two types of employee entitlements for services rendered during the financial year.

Leave Provision is based on outstanding leave days accrued and is calculated based on the current year's remuneration for the services rendered to the Town Council.

For the town council's work force, leave provision amounted to N\$ 1 240 962, and N\$ 1 234 911 respectively.

Bonus provision	161 988	189 533
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Bonus provision amounting to N\$ 161 988 and N\$ 189 533 (2021) is an annual employee benefit that unwinds every year as each employee reaches their birthday anniversary.

This provision is based on the Town Council's policy to reward employee performance, and is calculated by dividing each employee's monthly salary by 12 multiplied by the number of outstanding months.

15 Compensation provision

Opening balance	8 123 107	8 661 277
Additions to existing provisions	-	-
Charges against provisions	(210 602)	(538 170)
Unused provisions reversed	-	-
Changes due to passage of time	7 757	-
Total movements during the year	(202 844)	(538 170)
Land compensation provision	7 920 262	8 123 107

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

15 Compensation provision (Continued)

Oshikuku Town was proclaimed in an area where land was held by communal farmers.

The Communal land Reform Act 5 of 2002 through Section 20 gives the Traditional Chief the primary power to allocate or cancel customary land rights in respect of any portion of land within the communal area.

As a result of proclamation, Oshikuku Town Council created a present obligation arising from the establishment of Oshikuku Town on land previously owned by communal farmers.

This obligation is discharged through compensation which includes, but is not limited to payment for land itself, reimbursement of structures erected on land, and compensation for fruit trees.

The servicing of land for the purposes of establishing new locations, new industries, and new infrastructure is undertaken as and when the need arises.

This has led to a gradual compensation model not limited to specific times, but one driven by the expanding urban development needs of the town.

The full list of those yet to be compensated as of May 2014 was made available by the Ministry of Land and Resettlement in May 2014 and management has used the list as a basis of making a provision.

As at the reporting date, the compensation provision amounted to N\$ 7 920 262 after taking into account charges of N\$ 210 602, and consumer price index changes of N\$ 7 757, an inflationary and time value of money measure.

The land compensation initiative is on the basis of willingness to vacate Town Council land within the proclaimed area. With those waiting for compensation prepared to vacate Town Council land, there has not been any long term portion made for the compensation provision.

16 Value added tax payable

VAT is claimed in terms of the Value Added Tax Act 10 of 2000. Oshikuku Town Council acts as a collection agency for NamRA.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
16 Value added tax payable (Continued)		
Value added tax payable	159 054	123 909

As at the reporting date, Oshikuku Town Council held value added tax due to Namibia Revenue Authority amounting to N\$ 159 054, and N\$ 123 909 for the comparative period. Value added tax payable represents the excess of output value added tax (charged on purchases) over input value added tax (charged on sales of goods and services).

17 Service charges

Charges for services	9 153 458	*9 517 671
Water revenue	5 352 274	5 190 217
Sewerage revenue	1 686 030	2 017 351
Refuse collection	1 645 981	1 785 048
Sales of erven	469 173	525 056

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

Combined revenue from charges for services amounted to N\$ 9 153 458 and N\$ 9 517 671 respectively. Charges for services comprise water, sewerage, refuse collection, and sales of erven.

For all charges for services, tariffs are gazetted on an annual basis as a means of pricing municipal services.

Water revenue

Revenue from sale of water	5 352 274	5 190 217
Business	2 610 444	2 424 041
Residential	2 741 830	2 766 176

Revenue from water supplies to business, residents and institutions for the year amounted to N\$ 5 352 274 and N\$ 5 190 217 (2021). Charges on water are based on metered consumption, and a basic charge.

A basic charge is included for all customers to cover the fixed costs of maintaining the water supply infrastructure, regardless of the volume of water used.

Billing for water consumption is based on meter readings.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

	2022	2021
	N\$	N\$
17 Service charges (Continued)		
Sewerage revenue		
Revenue from sewerage services	1 686 030	*2 017 351
Business	518 001	901 977
Residential	1 168 029	1 115 373

* Difference of N\$ 1 noted between the recalculated amount and that disclosed.

Sewerage revenue of N\$ 1 686 030 and N\$ 2 017 351 (2021) comprises income from waste water collection and treatment services.

Gazetted fees are charged per connection including the basic component for service access. Similar to water services, sewerage revenue includes a basic charge to cover the fixed costs of maintaining the sewerage infrastructure.

Refuse collection

Revenue from refuse removal	1 645 981	1 785 048
Business	531 907	701 530
Garden refuse	260 968	226 927
Residential	853 106	856 591

Charges for regular collection and disposal of residential and commercial waste amounted to N\$ 1 645 981, and N\$ 1 785 048 respectively. The charges comprise a gazetted basic charge, levied on households to cover operational costs.

Sales of erven

Revenue from sales of erven	469 173	525 056
Business	134 613	89 350
Residential	334 560	435 706

18 Rental revenue

Rental income is derived from various sources which are solely items of property, plant and equipment purchased or constructed for rental purposes.

At Oshikuku Town Council, such items of property, plant and equipment comprise, council hall, open markets, and land under permission to occupy agreements.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
18 Rental revenue (Continued)		
Rental revenue	221 725	223 999
Rental-PTO	129 565	106 044
Rental council hall	6 527	25 805
Open market rental	85 288	92 150
Hiring of podium	345	-

Rental revenue for the financial year was derived from four sources. Permission to occupy revenue of N\$ 129 565 and N\$ 106 044 (2021) arises from agreements with individual seeking plots for residential purposes.

Prospective purchasers are allowed to occupy the Council land and use it for residential purposes before purchasing, as a consequence of which they are required to pay rental on a monthly basis.

19 Nored Surcharges

Surcharge revenue	405 191	406 982
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Surcharge revenue of N\$ 405 191 and N\$ 406 982 (2021) derives from a service level agreement between Oshikuku Town Council and Nored entitling the power utility the rights to electricity distribution to residents and businesses within Oshikuku constituency.

20 Other revenue

Other revenue comprise gross inflow of service potential from sources other than municipal services during the year.

Some of the sources of income are non-recurrent while other exhibit a recurrent behaviour over time.

Other revenue	1 059 584	*921 714
Bond/Fire insurance recovered	-	3 547
Building plan fees	198 080	106 924
Duplicating services	3 290	5 459
Administration fee	73 735	61 544
Administration revenue	-	2 910
Disconnection fee - residents	42 690	47 844
Business registration and fitness	65 789	78 364

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

	2022	2021
	N\$	N\$
20 Other revenue-(continued)		
Other revenue		
Discharging of sewerage	700	1 153
Firefighting income	108 695	90 792
Sewerage new connections - residential	31 600	33 720
Sundry income	8 529	17 573
Sewerage new connections - business	1 250	2 800
Water new connections - residential	29 803	29 800
Sales of dustbins	62 863	63 242
Disconnection fees - business	13 253	9 840
New connections business	3 090	2 720
Cleaning of street	173 568	162 753
Commission electrical sales	1 637	2 531
Advertising billboards	3 983	12 203
Sales of water meter material	56 647	67 861
Betterment fees	2 178	16 344
Endowment fees	49 175	9 194
Valuation/clearance certificate	4 485	6 215
Compliance certificate fees	34 214	38 469
Selling electricity - NORED	45 928	47 913
Bid documents	30 800	-
Commission on payroll deduction	11 051	-
Promotional items	2 520	-
Discount received	31	-

Other revenue for the year amounted to N\$ 1 059 584, and N\$ 921 714 (2021) respectively. Other revenue supports the main municipal services rendered to consumers (residents and businesses) during the financial year.

21 Interest revenue

Interest revenue	*2 673 625	*2 419 888
Interest on arrears	2 582 472	2 292 964
Interest on call accounts	20 679	22 413
Interest on Build Together bank accounts	24 482	25 173
Interest on Build Together loans	39 904	79 339
Interest received on sale of plots	6 089	-

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

21 Interest revenue (Continued)

The Town Council earned interest from different sources totalling N\$ 2 673 625 and N\$ 2 419 888 (2021).

Major inflow of economic benefits during the financial year arose from interest charged on outstanding accounts amounting to N\$ 2 582 472 and N\$ 2 292 964 for the comparative period.

Of the interest reported, interest from call accounts and Build Together bank accounts was received, while interest on Build Together loans, and on outstanding arrears is a combination of interest received and interest receivable.

2022	2021
N\$	N\$

22 Property , rates and taxes

Property, rates and taxes are levied on rateable properties in terms of the Local Authorities Act, 1992 (Act No.23 of 1992). Rates are levied on properties in the valuation roll where rates are known as general rate, site rate, and improvements rate.

Property , rates and taxes

5 251 195	4 802 975
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Property rates and taxes are assessed on property (land), and improvements (structures) amounted to N\$ 5 251 195 and N\$ 4 802 975 respectively.

Different gazetted tariffs are levied depending on the sizes of properties, improvements and location.

Non-commercial properties qualify for rebates or exemptions upon application to the Town Council. The Town Council may approve or reject applications on assessment of the application.

23 Government and other departments transfer

Government and other departments transfer

	165 000	2 021 347
Road maintenance – RFA	-	856 347
Operational subsidy	-	1 000 000
Audit grant	165 000	165 000

There were no transfers (government assistance) during the financial year as compared to the prior year where N\$ 2 021 347 was received for operations and road maintenance.

The audit grant of N\$ 165 000 is a provisional amount for audit services in kind provided by the Auditor-General.

This grant is conditioned on training and skills development for accounting and finance staff with emphasis on financial reporting and internal audit.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

	2022	2021
	N\$	N\$
24 General and administration expenses		
General and administration expenses	*3 797 822	*11 627 302
Contract labour	101 299	78 162
Advertising	69 375	104 353
Membership fees contribution	52 500	52 500
Registration fees - bodies	3 000	1 200
Publication: promotional material	21 312	12 720
Finstel support services	37 910	14 088
Courier services	23 290	24 875
Bank charges	340 968	309 422
License: vehicles	3 856	2 445
Deeds registry	509	6 144
Clean by contractor	446 178	440 912
Electricity consumption	611 046	648 923
Entertainment council	8 754	11 029
Insurance	166 699	83 040
Legal costs	56 061	91 307
License fees //AE//Gams	89 790	89 850
Cleaning material	24 320	19 320
Rental photocopy	50 566	45 487
Postage and rental P/Bag	66 113	82 767
Year-end function	9 960	9 742
Internship	900	4 500
Printing and stationery	71 840	75 284
CEO entertainment	1 220	500
Protective clothing	17 064	15 214
Security Services	370 591	367 304
Purchasing of electricity	50 000	40 000
Machinery & equipment hire	30 400	47 550
Internet & email	58 980	59 676
Telephone	34 892	50 539
Travelling expenses	71 167	45 508
Natural disaster and emergency	3 739	13 150
Materials & fittings	100 387	107 272

*Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
24 General and administration expenses (Continued)		
Training and development	165 000	165 000
Pest control chemicals	934	7 983
Communal farmers compensation	-	8 123 107
Sundry expenses	637 201	376 432

General and administration expenses of N\$ 3 797 822 and N\$ 11 627 302 (2021) comprise operational appropriations.

General and administration expenses are expenditures incurred to ensure the smooth running of Oshikuku Town Council for the financial year.

For the prior year, general and administration expenditure is significantly high due to the recognition of N\$ 8 123 107. This amount represents communal farmers compensation recognised in the statement of surplus or deficit on initial recognition of the provision.

With the exception of communal farmers' compensation, expenses for the comparative period amount to N\$ 3 504 195 which relatively aligns with the current financial year.

25 Employee costs

Employee costs	8 038 965	7 939 843
Salaries and wages	4 097 127	4 075 054
Overtime	56 168	49 499
Housing allowance and subsidy	1 337 933	1 273 502
Service bonus	356 174	330 289
Leave gratuity	19 719	67 272
Pension contribution	890 605	900 705
Social security	21 663	21 681
Medical aid contribution	694 631	680 013
Workman's compensation	22 678	23 565
Transport allowance	444 138	425 516
Standby allowance	36 929	31 929
Cell phone allowance	61 200	60 818

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

25 Employee costs (Continued)

Employee costs of N\$ 8 038 965, and N\$ 7 939 843 (2021) relate to short term and long-term employee benefits resulting from the rendering of services.

Long term employee benefits solely comprise lifetime pension contributions. For all the other employee benefits, employees become entitled to them within 12 months from date of termination of employment.

All services rendered by employees with balances above, fall under formal agreements with the Council.

Employee costs include pension falling due after completion of employment.

All employee benefits were provided directly to Oshikuku Town Council employees and none were provided to employee dependents or others in insurance arrangements or schemes.

Compensation of key management personnel for the financial year ended 30 June 2022

	CEO	Manager - HR, Finance & Administration	Manager - Technical services	Total
Figures in Namibia dollar	N\$	N\$	N\$	N\$
Basic Salary	33 667	25 552	24 335	83 555
Housing	161 603	122 650	116 810	401 063
Car Allowance	102 701	89 316	89 316	281 333
Bonus	33 667	25 552	24 335	83 555
Social Security	972	972	972	2 916
Medical Aid contributions	40 800	-	48 103	88 903
Cell phone allowance	14 400	9 600	9 600	33 600
Pension	87 670	66 538	63 369	217 577
Total	475 480	*340 181	*376 842	1 192 502

In line with IPSAS 20, Related Party disclosures, remuneration for 3 key management personnel responsible for the strategic direction of Oshikuku Town Council is set out in the table above.

The combined total remuneration of key management personnel for the financial year amounted to N\$ 1 192 502.

There were no loans made to key management personnel and close family members during the financial year.

There were transactions between Oshikuku Town Council and members of the governing board.

There were no transactions between Oshikuku Town Council and key management personnel other than those within the daily course of operations.

* Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022	2021
	N\$	N\$
25 Employee costs (Continued)		
Remuneration for the governing board		
Salaries and allowances - councillors	483 092	483 092

Remuneration for all sitting board members amounted to N\$ 483 092 for both the current and the prior financial year.

Oshikuku Town Council governing board comprise of 7 politically elected members responsible for policy decisions and governance.

There were no termination of services for council members during the financial year.

26 Repairs and Maintenance

Repairs and maintenance comprise appropriations on restoring the operational capacity of items of property, plant, and equipment for the Town Council.

Repairs and Maintenance	290 115	*848 615
Roads repair and maintenance	-	641 599
Repairs & maintenance infrastructure	-	79 262
Repair & maintenance	2 700	2 300
Repairs and maintenance buildings	7 969	17 419
Repairs and maintenance vehicles	54 795	34 873
Fuel & oil	64 763	73 161
Repair & maintenance of pumps	34 801	-
Rectification of encroachments	125 087	-

* Difference of N\$ 1 noted between the recalculated amount and that disclosed.

Repairs and maintenance expenditure amounted to N\$ 290 115 and N\$ 848 615 respectively.

There were no appropriations towards road maintenance for the current financial year. Road maintenance is funded by The Road Fund Authority (RFA) on an annual basis.

27 Bulk purchases - Trade account

Bulk Water Purchases	2 790 368	2 853 949
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As one of municipal services specified in the Local Authorities Act, water supply to residents and business is mandatory for Oshikuku Town Council.

During the financial year, water purchases from Namwater Corporation amounted to N\$ 2 790 368 and N\$ 2 853 949 respectively.

THE TOWN COUNCIL OF OSHIKUKU**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE****(Continued)****28 Funds and accounts**

Build Together fund is a Ministry of Urban and Rural Development (MURD) housing scheme funded from the Trust Fund Act for Regional Development and Equity Provisions Act, 2000.

Oshikuku Town Council administers Build Together Fund in line with the requirements of the National Housing Development Act 28 of 2000.

	2022	2021
	N\$	N\$
Build Together fund balance	4 143 647	3 981 294
Opening balance	3 981 294	2 803 869
Correction to understatement	-	1 177 425
Movements to funds and accounts	162 353	-

Build Together is a housing program established for the purposes of providing financial assistance to individuals who meet the criteria for low-income earners.

As at the reporting date, the fund balance amounted to N\$ 4 143 647 and N\$ 3 981 294 for the comparative period.

Interest earned on call accounts and, interest on loans advanced to beneficiaries is reinvested as the Build Together fund was designed to be a revolving fund.

The fund is secured on the houses constructed by beneficiaries admitted into the program.

The Government of Namibia intends to ensure housing to all Namibians including low income earners. Due to the program's focus on low income earners, the financial instrument is originated credit impaired.

Additionally, Build Together loans are concessionary loans, with decreased estimation of future cash flows.

	2022
	N\$
29 Change in accounting policy	
Property sales liabilities	177 631

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

29 Change in accounting policy (Continued)

As at the adoption of IPSAS, The Town Council changed its accounting policy for the recognition of revenue from erven sales.

Previously, revenue was recognised upon the issuance of an offer to purchase letter. The new policy requires that payments received for plots are accounted for as liabilities until the full payment is received.

The effect of this change has been applied retrospectively, and comparative figures have been restated.

Payments made on the purchase of plots are now being accounted for under "Property sales liabilities" on the statement of financial position.

This change in policy ensures The Town Council keeps all plots that are not fully paid for, in inventory of serviced land.

It is management judgement, that retaining ownership of the plots encourages prospective purchasers to pay for the plots on a timely basis.

Further, the change in policy enhances the reliability and comparability of General-Purpose Financial Reports (GPFRs) overtime thereby aligning revenue recognition with the simultaneous transfer of risks and rewards to the purchaser.

2022

N\$

30 Adjustments to equity

Total adjustments to equity	220 377 236
IPSAS adjustments	166 007 747
Prior period errors	52 121 969
Audit adjustments	2 247 520

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

30 Adjustments to equity (Continued)

Adjustments to equity has been set-out in 3 categories above. These adjustments are supported by disclosures below:

	2022
	N\$
IPSAS adjustments	166 007 747
Unserviced land	74 404 220
Public open spaces	33 020 550
Plots occupied by Council buildings	1 844 877
Plots occupied by pump stations	2 253 860
Land occupied by streets	1 696 720
Land occupied by cemetery	2 011 960
Unregistered land	331 520
Undetermined land	11 919 720
Inventory of serviced erven	38 524 320

IPSAS 33, First time adoption of accrual basis International Public Sector Accounting Standards (IPSAS), paragraph 137 (a) requires the progress made towards recognising, measuring, presenting and disclosing assets and/or liabilities for Oshikuku Town Council.

Previously, land was not recognised in the statement of financial position of Oshikuku Town Council. The categories of land in this IPSAS adjustment are determined by zoning as per the Town Council's valuation roll.

All the land falling within the non-current class has been valued at the valuation roll price, except for unserviced land, and inventory valued at the gazetted price.

For detailed disclosures, refer to note 2 Property, Plant and Equipment, and note 5, Inventories.

Prior period adjustments

Total prior period errors	*52 121 969
Property, Plant and Equipment	2 816 822
Accumulated depreciation	30 190 002
Investment in NORED	14 542 964
Accumulated depreciation on work in progress	1 635 971
Township rectifications - ext 6	117 300
Loan debtor accounts	19 549
Credit notes	22 999
Leave provision	504 117
Build Together accounts receivables	1 065 352
Salary reserve	1 206 894

* Difference of N\$ 1 noted between the recalculated amount and that disclosed.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

30 Adjustments to equity (Continued)

Prior period adjustments (Continued)

IPSAS 3, Accounting policies, changes in accounting estimates and errors paragraph 47 sets out the requirements for restatement of prior period balances where such balances have material misstatements.

All restatements have been made retrospectively to ensure comparability and reliability of financial statements.

	2022
	N\$
Audit adjustments	
Total audit adjustments	2 247 520
Unaccrued trade payables	(94 394)
Bulk water payables	(474 556)
Regional Council levy	(319 844)
Cleaning – 2020	874 527
Servicing of plots	447 273
Animal feed research letter	(106 516)
Nored electricity - FS	11 800
Nored invoices and GL	67 271
Namwater – GL	844 311
Namwater – FS	(112 754)
Payroll	(105 833)
Medical Aid	(98 127)
Pension fund deductions	(325 647)
Bank overdraft	1 640 009

Adjustments set out above are audit findings that remained unresolved during the transition to accrual basis IPSAS.

The effect of adjustments to equity has been to realign the equity which may have been misstated due to unresolved audit findings.

It is management judgement that realignment of equity shall extend to 3 financial years from the current reporting date as policies are developed and consistent application becomes permanent practice.

THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2022
	N\$
31 Direct adjustments to equity	
Direct adjustments to equity	892 970
Adjustments for land disposals	(1 638 200)
Investments	2 515 751
Other unknown movements	15 419
Adjustments for land disposals	(1 638 200)
Disposal of private open space	(1 112 280)
Disposal of serviced plots	(525 920)

During the financial year, the Town Council recorded disposals of a private open space of size 27 807 square meters and 33 serviced plots.

Of the serviced plots disposed, 29 were residential plots covering 20 111 square meters in total size, while 4 plots were for business with total size of 2 474 square meters.

The disposals were all derecognised at the value initially used at the date of recognition. Such values include N\$ 40 per square meter for the private open space while N\$ 20 per square meter is attributable to residential plots and N\$ 50 per square meter for business plots.

For long term investments, refer to note 3 for detailed disclosures.

