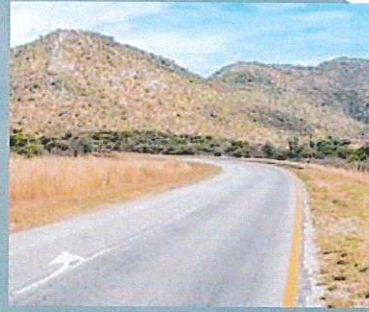




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OTAVI

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honor to submit herewith my report on the accounts of the Town Council of Otavi for the financial years ended 30 June 2020 and 2021 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honorable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

WINDHOEK, October 2023

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

2000

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

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Otavi for the financial years ended 30 June 2020 and 2021. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, and statement of cash flow and notes to the financial statements for the years then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of Otavi Town Council as at 30 June 2020 and 2021, its financial performance and cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted the audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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, 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 ADOPTION OF IPSAS 33 AND INCONSISTENCY OF ACCOUNTING POLICIES

The auditors observed that the Council has adopted the International Public Sector Accounting Standards (IPSAS) as of the following periods, 2018/2019 to 2020/2021. However, during the periods 2018/2019 and 2019/2020 the Council has not made an explicit and unreserved statement in compliance with IPSAS 33 paragraph 28 which states as follows:

"(28) An entity's whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes".

In addition, neither has the Council taken advantage of the three-year transitional relief period for recognition and / or measurement of asset and liabilities as encouraged in IPSAS 33 paragraph 36 which states as follows:

“(36) Where a first time adopter has not recognized assets and/ or liabilities under its previous basis of accounting, it’s not required to recognize and / or measure the following assets and/ or liabilities of reporting periods beginning on a date within three years following the date of adoption of IPSAS.”

It is recommended that the Council should ensure compliance with IPSAS 33.

2.2 ADJUSTMENTS IN THE STATEMENT OF CHANGES IN NET ASSETS

The Council did not submit the supporting documentation for journal adjustments recorded in the statement of changes in equity amounting to N\$ 1 032 666 (2020) and N\$ 9 653 046 (2021), for audit purposes.

It is recommended that Council should ensure that supporting documentation are always availed to the auditors for auditing purpose.

2.3 BUDGET – NON COMPLAINE WITH IPSAS 24

The auditors noted that the Council did not disclose Budget versus Actual amounts in its 2021 annual financial statements where variances are explained. The auditors further noted that for the 2020 financial statements, Council disclosed the budget versus actual statement without giving explanations for material differences as required by IPSAS 24 paragraph 14 which states as follows:

“(14) An entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSASs. The comparison of budgets and actual amounts shall present separately for each level of legislative oversight:

- (a) The original and final budget amounts;*
- (b) The actual amounts on a comparable basis;*

By way of notes disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes”.

It is recommended that the Council should ensure compliance with the IPSAS 24, Paragraph 14.

2.4 DONATIONS IN GOOD KIND FOR THE 2020 & 2021 PERIOD

The auditors noted that the Council did not disclose revenue from non-exchange transaction, donations in good kind for exemptions on audit fees in compliance with IPSAS 23 paragraph 95 which states as follows:

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

It is recommended that the Council should ensure compliance with IPSAS 23 Paragraph 95.

2.5 PRIOR YEAR AUDIT FINDINGS ON PROPERTY, PLANT AND EQUIPMENT NOT RECTIFIED IN THE 2020 PERIOD

Audit findings raised in the prior financial year (2019) were not rectified, these are recurring findings. They are listed below as follows:

- Absences of an approved fixed asset policy;
- Absence of fixed asset acquisition dates in the register;
- Assets auctioned years back still in the asset register;
- No asset location in the fixed asset register;
- No disclosure of Farm Klein Otavi No. 799 with the cost value of N\$ 6 000 000;
- Land and Building not separated as per IPSAS 17 paragraph 74 which states that:
“(74) Land and Building are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.”; and
- Depreciation not charged on asset acquired through loan arrangements.

It is recommended that the Council should ensure that the prior year errors and misstatements as reported by the auditors should be addressed accordingly, to reflect the correct and accurate opening balances for the ensuing year.

2.6 OPEN LANDS

The auditors observed that the Council did not disclose open lands for both the financial years ended 30 June 2020 and 2021 as required by IPSAS 23, paragraph 97 which states as follows:

“(97) On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment.”

It is recommended that the Council should ensure compliance with the IPSAS 23, Paragraph 97.

2.7 DUMPSITE AND SEWERAGE POND

The auditors observed that the Council has a dumpsite and sewerage pond, however no environmental clearance certificate could be provided, neither has the Council disclosed a provision for a waste fine which amounts to N\$ 500 000 as required noted in the Environmental Management Act, 2007 (Act No. 7 of 2007), Section 5 paragraph 4 to 5 which states as follows:

“(4) A person may not discard or cause to be discarded waste or dispose of it in any other manner, except:

*(a) at a disposal site declared or approved by the Minister in terms of this section; or
(b) in a manner or by means of a facility or method and subject to such conditions as the Minister may prescribe.*

(5) Any person who contravenes subsection (4) commits an offence and is on conviction liable to a fine not exceeding N\$ 500 000 or to imprisonment for a period not exceeding 25 years or to both such fine and such imprisonment”.

It is recommended that the Council should ensure compliance with the Environmental Management Act, 2007 (Act No. 7 of 2007) Section 5, paragraph 4 to 5.

2.8 PROVISION TO DISMANTLE, REMOVING AND RESTORATION OF SITE

The auditors observed that the Council has not recognised an estimated restoration cost for the dumpsite as required by IPSAS 17 paragraph 30 (c) or raise provision for the site restoration (decommissioning cost) as required by IPSAS 19 paragraph 27 which states as follows:

“(30) The cost of an item of property, plant and equipment comprises:

(c) The initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.”

“(27) Similarly, a public sector entity would recognize a provision for the decommissioning costs of a defence installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused. IPSAS 17, Property, Plant and Equipment, deals with items, including dismantling and site restoring costs, that are included in the cost of an asset.”

It is recommended that the Council should ensure compliance with IPSAS 17 paragraph 30 (c) and IPSAS 19 paragraph 27.

2.9 MINISTERIAL INVESTIGATION INTO ALLEGED IRREGULARITIES AT OTAVI TOWN COUNCIL

The Minister of Urban and Rural Development commissioned an investigation into allegations about unprocedural recruitments, promotions, appointment of staff members to act in vacant positions, and illegal payments of acting allowances and motor vehicle allowances. The team was specifically tasked to determine whether or not the correct procedures were being followed by the Council in general and especially the Human Resources Department in compliance with the provisions of Section 27 of the Local Authorities Act, 1992 (Act No. 23 of 1992) as amended and Rules 32, 33 and 36 of Personnel Rules of the Otavi Town Council as well as the Recruitment and Selection Regulations for Local Authority Councils, during the recruitment process, appointment in acting capacity of staff members. There were several findings reflected in the ministerial report with recommendations on the way forward to rectify these findings. The Council has not made any progress in implementing these recommendations.

It is recommended that the Council should ensure the implementation of the recommendations of the internal auditors.

2.10 PROPERTY, PLANT AND EQUIPMENT ADDITIONS (2020)

An unexplained difference of N\$ 2 463 714 was noted between the recorded amount in the General Ledger of N\$ 12 867 769 and the supporting documents for additions provided to the auditors which amounted to N\$ 15 331 483. It was further noted that included in the supporting documents, is an amount of N\$ 10 635 483 that pertain to the 2019 financial year.

It is recommended that the Council should ensure that amounts are recorded accurately as per the supporting documentation and that all transactions are classified in the appropriate financial year.

2.11 WORK IN PROGRESS (WIP)

The auditors noted an invoice amounting to N\$ 980 441 for the 2019/2020 financial year and invoices amounting to N\$ 565 533 for the 2020/2021 financial year pertaining to the construction of Bitumen are classified as expenses rather than work in progress.

It is recommended that the Council should ensure that all transactions are properly classified.

2.12 CASH AND CASH EQUIVALENT (2021)

The auditors noted a difference of N\$ 15 842 138 between the cash and cash equivalent with an unfavourable amount in the general ledger of (N\$ 4 250 376) and that is disclosed in the financial statements amounting to N\$ 11 591 762.

It is recommended that the Council should ensure that the financial statement and the general ledger are correctly reconciled.

2.13 BANK RECONCILIATION

The auditors noted that for the financial year ended 30 June 2020, the Council only performed bank reconciliation for the enterprise business account; however none were performed for the remaining seven (7) call accounts. The auditors further noted that during the 2021 financial period, no bank reconciliation was performed for all the bank accounts.

Furthermore, unexplained differences of N\$ 379 194 (2020) and N\$ 3 380 164 (2021) were noted between the cash and cash equivalent balances disclosed in the Councils annual financial statement for both the financial years and the cash and cash equivalent confirmed by the bank.

It is recommended that the Council should ensure that monthly bank reconciliations are performed on all the bank accounts.

2.14 TRADE AND OTHER RECEIVABLES

The auditors noted that the figure disclosed in the statement of financial position for Trade and Other Receivables amounting to N\$ 8 578 231 does not agree to the figures in the general ledger as only balances amounting to N\$ 5 379 494 could be traced. This resulted in an unexplained difference of N\$ 3 198 737.

It is recommended that the Council should implement strong internal controls, regularly review and reconcile financial data, and ensure that all disclosures are complete, consistent and accurate.

2.15 CREDIT AND DEBT MANAGEMENT POLICY

The Councils credit and debt management policy does not provide guidance on how bad debts allowance should be accounted for. The absence of this guidance in the policy has made it impossible for the auditors to verify the bad debts allowance as disclosed in the financial statement amounting to (N\$ 35 439 273) for both 2020 and 2021 financial period.

It is recommended that the Council ensure that mechanisms are put in place to guide the Council with the treatment of outstanding debts.

2.16 GOVERNMENT SUBSIDY – MRLGH 2020

The Council disclosed subsidies for capital projects amounting to N\$ 16 052 262, however the auditors were only able to confirm N\$ 11 910 324 received as capital grant through the capital project bank statement. This resulted in an unexplained difference of N\$ 4 141 938.

It is recommended that the Council should implement strong internal controls, regularly review and reconcile financial data, and ensure that all disclosures are complete, consistent and accurate.

2.17 ROAD FUND ADMINISTRATION GRANT (STREET & ROAD) 2021

The Council disclosed operational grants and subsidies amounting to N\$ 905 569, however the auditors could only confirm N\$ 396 992 of the operational grant received through the bank statements. This resulted in a difference amounting to N\$ 508 577.

It is recommended that the Council should implement strong internal controls, regularly review and reconcile financial data, and ensure that all disclosures are complete, consistent and accurate.

2.18 ACTING APPOINTMENTS

The auditors were not provided with the extension letters to acting appointments as per the requirements of Section 17 of the Otavi Village (outdated Village Council has since been upgraded to a Town Council): Personnel Rules: Local Authorities Act, 1992 (Act No. 23 of 1992) which states as follows:

“(2) The chief executive officer may appoint in an acting capacity, in terms of the powers delegated to him or her, a staff member to perform such duties required in a higher post for a period not exceeding three months.

(3) The chief executive officer may extend the period during which a staff member is appointed in an acting position after the lapse of such period with a further period not exceeding three months.”

It is recommended that the Council adheres to the Otavi Village (outdated Village Council has since been upgraded to a Town Council): Personnel Rules: Local Authorities Act, 1992 (Act No. 23 of 1992).

2.19 LEAVE PROVISION (2021)

The auditors observed a difference of N\$ 763 320 between the leave days as disclosed in the financial statements amounting to N\$ 1 107 160, and the leave provision schedule amounting to N\$ 1 870 479.

It is recommended that the Council should ensure correct figures for leave provision as disclosed in the annual financial statements.

2.20 DEPRECIATION EXPENSE (2021)

The auditors noted that the depreciation figure disclosed in the financial statements amounting to N\$ 10 951 281, could not be traced in the general ledger.

It is recommended that the Council should ensure full disclosure of all information in their books.

2.21 NON-SUBMISSION OF AUDIT SUPPORTING DOCUMENTS FOR EXPENDITURE

Supporting documents for expenditure amounting to N\$ 8 199 975 were not provided for audit purpose towards the financial year ended 2020. Furthermore, an amount of N\$ 7 985 817 is not reflecting on the Councils FINSTEL financial system, however its part of the general ledger submitted, therefore no supporting documents were provided to verify this transaction.

It is recommended that the Council should ensure that all supporting documents are always availed for audit purpose.

2.22 JOURNAL'S RECORDED AS PAYMENT

The Council recorded N\$ 2 396 710 (2021) as an actual expenditure payment in the general ledger, however, no supporting documentation were provided and upon physical verification of this amount it was processed as a journal.

It is recommended that the Council should ensure that all transactions are processed correctly and supporting documents are always availed for audit purpose.

2.23 BULK PURCHASES (NAMWATER)

The auditors noted a difference of N\$ 1 327 080 (2020) and N\$ 6 197 264 (2021) between Namwater statements as at year end amounting to N\$ 24 519 303 (2020) and N\$ 29 664 648 (2021), while the amount reflected in the financial statements amounted to N\$ 23 467 384 (2020) and N\$ 23 467 384 (2021).

It is recommended that the Council reconcile its Namwater account in order to agree to the Namwater statement and payments should always be posted under the supplier account.

2.24 SECURITY SERVICES EXPENDITURE

The Councils security services expenditure could not be adequately verified due to the absence of a valid contract for the amount of (N\$ 618 347) 2021 financial period and part of the (N\$ 213 840) 2020 financial period. The invoices provided for Security Services did not agree with the contract amounts for the 2020 financial period, this resulted in an unexplained difference of N\$ 144 179 and there were no supporting documents to demonstrate the appropriate approval for the expanded scope of the security services.

It is recommended that the Council must provide supporting documentation when requested by the auditors.

2.25 FRUITLESS EXPENDITURE

The Council incurred external consultation expenditure for the preparation of the 2020 and 2021 financial statements amounting to N\$ 18 032 (2020) and N\$ 71 972 (2021) respectively, however the cost benefit of this expenditure did not meet the desired quality output raising concern of competency in this regard.

It is recommended that the Council should ensure that work done by external consultants is reviewed and agreed to the financial data provided and the quality of work is scrutinized.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the audit opinion thereon, and I do not provide a separate audit opinion on these matters. I have nothing to report in this regard.

4. 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

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

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

- 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.

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

- The financial statements for the financial years ended 30 June 2020 and 2021 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992), except that for the financial year ended 30 June 2020 it was only submitted on 02 November 2020. Additionally the financial statements for the financial year ended 30 June 2021 was submitted on 17 January 2022 instead of three months after the year end as required by the Act.
- **The financial statements for the financial year ended 30 June 2022 have not been submitted at the time of finalising this audit report.**
- **Non-Compliance with Recruitment and Promotions Regulations:** The auditors observed that for both the financial years under review, the Management Committee by resolutions promoted for 4 Council staff members without following the recruitment and selection policy of the Otavi Town Council in terms of section 10 which states as follows:

“All vacant positions will be advertised as follows:

- *A, level positions will first be advertised internally and if no suitable candidate is found internally, the position will be advertised locally for 1 week.*
- *B-C, level positions will first be advertised internally and if no suitable candidate is found internally, the position will be advertised externally for 21 days in at least two national newspapers.*
- *D level positions will only be advertised externally for 21 days in at least two national newspapers.*
- *With C level positions requiring certain skills, approval will be obtained from Council to only advertise externally for 21 days in at least two national newspapers.”*

The auditors further noted that the appointment of these positions were not in compliance with section 9, 10 and 13 of the Recruitment and Selection Regulations for Local Authority Councils, as these positions were not advertised and filled in terms of the regulations and that the staff members were appointed by the resolutions of the Councils Management Committee only. The Recruitment and Selection Regulations for Local Authority Councils states as follows:

Advertisement of positions (In term of section 9)

- (1) All vacancies for positions on a to c bands must first be advertised internally and may only be advertised externally if no suitably qualified candidates are available internally.*
- (2) For transparency purposes an advertisement for a position whether internally or externally must include-*
 - (a) the position designation and grade;*
 - (b) the job specification;*
 - (c) the basic salary, allowances and other benefits applicable to the position as determined in local authority council's remuneration structure;*
 - (d) any special requirements applicable to the position; and*
 - (e) details of the contact person to obtain further information about the position.*

Internal advertisement procedure (In term of section 10)

- (1) The human resources department must place or cause to be placed all internal advertisements on the notice board at the head office of the local authority council.*
- (2) Internal advertisements must remain published on the notice board referred to in sub-regulation (1) for a period of five days.*
- (3) If only one internal candidate has applied for an internally advertised position and the candidate complies with all the requirements the local authority council may approve that the candidate be interviewed.*

External advertisement procedure (In term of section 13)

- (1) If a vacancy arises at a local authority council the human resources department must obtain permission from the chief executive officer to advertise the vacancy externally.*
- (2) External advertisements must*
 - (a) be published twice in one national newspaper widely circulating in Namibia; and*
 - (b) be displayed on the notice board at the head office of the local authority council and the website of the local authority council, if a local authority council has a website.*
- (3) The closing date for applications must be 21 working days from the date of first advertisement or publication of a notice referred to in sub regulation (2).*

8. AUDIT OF KEY PERFORMANCE INDICATORS (KPI)

The auditors could not perform any tests on the implementation of the Strategic Plan and the effectiveness of the performance management systems (PMS) as the Council does not have an approved strategic plan in place and the PMS is dependent on the approval and implementation of the Strategic Plan.

The Council however, does have a draft Strategic Plan in place that will be amended once National Development Plan 6 (NDP6) is finalized. As per the letter issued on 02 March 2022 with reference number 15/7 from the National Planning Commission which states that *the Strategic Plan and all its instruments (annual work plan, performance agreements, performance reviews, etc) accompanying it should be ready for implementation effective 01 July 2022.*

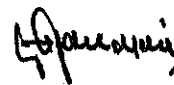
The letter further clearly stated that the Council has the option to extend the strategic plan or to develop an annual work plan considering the ongoing programs and projects and factoring in activities directed by the Harambee Prosperity Plan II (HPPII). The Council opted to draft the annual work plans as required but however, these annual work plans are not approved and were not provided to the auditors for audit purpose.

It is recommended that the Council should ensure that its strategic plan is approved and implemented once the NDP6 is finalised. Furthermore, the Council is recommended that all supporting documents are always availed for audit purpose.

9. ACKNOWLEDGEMENT

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

WINDHOEK, October 2023



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Note	2021 N\$	2020 N\$	2019 N\$
ASSETS				
Current assets		32 754 551	23 071 715	5 799 453
Cash and cash equivalent	14	11 591 762	9 888 456	491 798
Vat receivable	15	4 995 147	4 605 028	2 189 649
Receivables from exchange transactions	16	16 167 642	8 578 231	3 118 006
Non-current assets		125 590 217	136 541 499	139 097 112
Property, plant and equipment	19	114 863 205	125 814 487	120 980 679
Investments	14.1	-	-	7 410 058
Investments in associates	20	5 313 439	5 313 439	5 313 439
Long term receivables	18	5 413 573	5 413 573	5 392 936
TOTAL ASSETS		158 344 768	159 613 214	144 896 565
LIABILITY				
Current liabilities		39 224 919	35 481 676	24 612 430
Consumer deposits		257 212	247 587	231 033
Payables under exchange transactions	21	37 528 617	35 043 379	24 381 397
Payables from Non-exchange Transactions		1 369 617	-	-
Bank overdraft	14	-	190 710	-
GRN Long term loans	22	69 473	-	-
Non-current liabilities		425 494	556 797	646 650
GRN Long term loans	22	425 494	556 797	646 650
TOTAL LIABILITIES		39 650 413	36 038 473	25 259 080
NET ASSETS		118 694 355	123 574 741	119 637 485

THE TOWN COUNCIL OF OTAVI
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE (Continued)

		2021	2020	2019
	Note	N\$	N\$	N\$
TOTAL NET ASSETS/ EQUITY		118 694 355	123 574 741	119 637 485
Capital outlay/loans redeemed		-	-	413 174
Reserves Statutory funds	23	11 059 784	11 059 784	119 224 311
Accumulated surplus		107 634 571	112 514 957	-

ANNEXURE B

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

	Note	2021 N\$	2020 N\$	2019 N\$
REVENUE				
Revenue from non-exchange transactions		7 537 330	22 625 705	22 839 952
Property rates	2	6 483 778	6 481 390	6 915 390
Other revenue				
Transfers from other government entities	3	950 116	16 052 262	15 923 257
Fines, penalties and levies		-	4 967	1 305
Transfers from GRN		103 436	87 086	-
Revenue from exchange transactions				
Sale of erven		124 999	2 172 863	276 584
Service charges	4	15 262 738	12 617 200	12 356 430
Rental of facilities and equipment	5	478 071	552 553	776 130
Interest received		613 757	762 655	629 499
Surcharges	13	537 843	653 686	648 688
Other Revenue	6	773 590	842 002	3 332 483
Interest income	7	-	277 722	331 917
TOTAL REVENUE		25 328 328	40 504 386	41 191 683

ANNEXURE B

THE TOWN COUNCIL OF OTAVI
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
(Continued)

		2021	2020	2019
	Note	N\$	N\$	N\$
Expenses		30 118 622	37 432 429	44 165 258
Bulk purchases	8	2 652 100	7 985 817	7 058 894
Employee costs	9	11 319 615	10 084 533	10 769 264
Remuneration of Councillors	10	375 093	469 765	477 710
Depreciation and amortisation expense		10 951 281	8 033 961	9 951 947
Repairs and maintenance		76 641	629 087	636 006
Debt impairment	11	-	4 473 067	8 532 825
General Expenses	12	4 678 877	5 677 838	5 832 605
Interest paid		65 015	78 361	906 007
(DEFICIT) SURPLUS FOR THE YEAR		(4 790 294)	3 071 957	2 973 575

ANNEXURE C

THE TOWN COUNCIL OF OTAVI
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE

	Other NDR	Accumulated surplus	Total net assets/equity
	N\$	N\$	N\$
Balance at 01 July 2019	10 848 802	119 216 934	130 065 736
Changes in net assets/equity			
Direct adjustments to net assets	210 982	(9 773 934)	(9 562 952)
Net income (losses) recognized directly in net assets	210 982	(9 773 934)	(9 562 952)
Surplus for the year	-	3 071 957	3 071 957
Total net surplus (deficit) for the period	210 982	(6 701 977)	(6 490 995)
Total changes	210 982	(6 701 977)	(6 490 995)
Balance at 01 July 2020	11 059 784	*112 514 959	*123 574 743
Changes in net assets/equity			
Surplus for the year	-	(4 790 294)	(4 790 294)
Other Direct Adjustments to net assets	-	(90 094)	(90 094)
Total changes	-	(4 880 388)	(4 880 388)
Balance at 30 June 2021	11 059 784	107 634 571	118 694 355
Note(s)	23		

**A difference of N\$ 2 was noted between the Council amount and the auditor recalculated amount.*

ANNEXURE D

THE TOWN COUNCIL OF OTAVI
CASH FLOWS STATEMENT FOR THE YEAR ENDED 30 JUNE

	2021	2020	2019
Note	N\$	N\$	N\$
Cash flow from operating activities			
(Deficit) surplus	(4 790 294)	3 071 957	
Adjustments for:			
Depreciation and amortisation expense	10 951 281	8 033 961	
Debt impairment	-	4 473 067	
Direct adjustments to net assets	(90 095)	(9 562 950)	
Changes in working capital:			3 800 316
Receivables from exchange transactions	(7 589 411)	(5 460 225)	
Debt impairment	-	(4 473 067)	
Payables under exchange transactions	2 485 242	23 809 184	
VAT	(390 119)	(4 714 549)	
Taxes and transfers payable (non-exchange)	1 369 617	-	
Consumer deposits	9 625	16 554	
Net cash flows from operating activities	1 955 846	15 193 932	3 800 316
Cash flows from investing activities			
Purchase of property, plant and equipment	19	-	(12 867 769)
Decrease/ (Increase) in Long-term Receivables		-	(2 802 017)
		-	(20 637)
Net cash flows from Investing activities		-	(12 888 406)
			(2 802 017)

THE TOWN COUNCIL OF OTAVI
CASH FLOWS STATEMENT FOR THE YEAR ENDED 30 JUNE (Continued)

	2021	2020	2019
Note	N\$	N\$	N\$
Cash flows from financing activities			
Repayment of loans	(61 830)	(468 203)	-
Net cash flows from financing activities	(61 830)	(468 203)	-
Net increase/(decrease) in cash and cash equivalents			
	1 894 016	1 837 323	998 299
Cash and cash equivalents at the beginning of the year	9 697 746	7 860 423	(506 531)
Cash and cash equivalents at the end of the year	11 591 762	9 697 746	491 768
14			

The accounting policies on pages 24 to 46 and the notes on pages 46 to 71 form an integral part of the annual financial statements.

**THE TOWN COUNCIL OF OTAVI
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with audit Auditor-General in accordance with Section 87 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992) as amended.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in Namibia Dollar.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of IPSAS.

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

Transitions statement

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, The Town Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020. The Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2023 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that the Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The Council has made minimum progress towards such compliance; however, management shall make use of relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

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

1. Presentation of Annual Financial Statements (Continued)

The Council adopted accrual basis IPSAS's for the first time at 1 July 2019 and is making use of some of the transitional provisions for the 2020/2021 financial year. Details of the exemptions in adopting accrual basis IPSAS's are provided below.

The Council choose to utilise the following transitional exemptions that do affect the fair presentation of the financial statements:

IPSAS 5 Borrowing Costs
IPSAS 12 Inventories
IPSAS 16 Investment Property
IPSAS 17 Property, Plant and Equipment
IPSAS 19 Provision, Contingent liabilities and Contingent Assets
IPSAS 20 Related Party Disclosure
IPSAS 30 Financial Instruments
IPSAS 31 Intangible Assets
IPSAS 32 Services Concession Arrangements: Grantor
IPSAS 35 Consolidated Financial Statements
IPSAS 36 Investments in Associates and Joint Ventures
IPSAS 39 Employee Benefits

Transitional exemptions utilised that do not affect fair presentation of financial statements:

IPSAS 4 The Effects of Changes in Foreign Exchange Rates
IPSAS 10 Financial Reporting in Hyperinflationary Economies
IPSAS 13 Leases
IPSAS 21 Impairment for Non-Cash Generating Assets
IPSAS 26 Impairment of Cash Generating Assets
IPSAS 28 Financial Instruments Disclosure
IPSAS 29 Financial Instruments: Recognition and Measurement
IPSAS 37 Joint Arrangements
IPSAS's to be adopted in full during 2021/2022 financial period
IPSAS 1 Presentation of Financial Statements
IPSAS 2 Cash Flow Statements
IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 9 Revenue from Exchange Transaction
IPSAS 14 Events after Reporting Date
IPSAS 22 Disclosure of information about the General Government Sectors
IPSAS 24 Presentation of Budget information in the Financial Statements

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

1. Presentation of Annual Financial Statements (Continued)

In the absence of an issued and effective Standard of IPSAS, accounting policies for material transactions, events or conditions were developed in accordance with paragraph 12 of IPSAS 3.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in Namibia Dollar, which is the functional currency of the entity and the amount have been rounded to the nearest Dollar.

1.2 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Town Council's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue recognition

Accounting Policy 1.4 on Revenue from Exchange Transactions and Accounting Policy 1.3 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the Town Council.

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

1.2 Significant judgements and sources of estimation uncertainty (Continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset outing IPSAS9 (Revenue from Exchange Transactions) and IPSAS23 (Revenue from Non-Exchange Transactions). As far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the Town Council, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Council is satisfied that recognition of the revenue in the current year is appropriate.

Estimation of Meter Readings:

Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Estimation of unused Prepaid Metered Services:

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to year-end are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers.

Impairment of Financial Assets

Accounting Policy 1.8 on Financial Instruments sub-paragraph Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the Town Council considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period.

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

1.2 Significant judgements and sources of estimation uncertainty (Continued)

The management of the Council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Impairment of Trade Receivables:

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their credit worthiness. This is performed per service-identifiable categories across all classes of debtors.

Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 1.5, and 1.6, the Town Council depreciates its Property, Plant and Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment: Write-down of Property, Plant and Equipment, Intangible Assets, Investment Property and Inventories

Accounting Policy on Impairment of Assets, Accounting Policy 1.6 on Intangible Assets - Subsequent Measurement, Amortisation and Impairment and Accounting Policy on Inventory - Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Town Council. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

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

1.2 Significant judgements and sources of estimation uncertainty (Continued)

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible Assets and Investment Property are disclosed in Notes, 19, and to the Annual Financial Statements, if applicable.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Revenue from non-exchange transactions

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

Rates and Taxes

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

Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Town Council has complied with any of the criteria, conditions or obligations embodied in the agreement.

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Town Council's interest, it is recognised as interest earned in Surplus or Deficit.

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

1.3 Revenue from non-exchange transactions (Continued)

Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

1.4 Revenue from exchange transactions

Revenue is 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.

An exchange transaction is one in which the Town Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Sale of goods (including Houses)

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

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

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

1.4 Revenue from exchange transactions (Continued)

Service Charges

Service Charges are levied in terms of the approved tariffs.

Service Charges relating to water is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter shave been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service Charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of bins on each property.

Service Charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council, and are levied monthly.

Prepaid Water

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

Rentals received

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

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

1.4 Revenue from exchange transactions (Continued)

Finance income

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

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

1.5 Property, plant and equipment

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 are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the 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 the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

1.5 Property, plant and equipment (Continued)

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

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

Item	Average useful life
Land	Infinite
Buildings	
• Improvements	50
• Infrastructure	10-20
Other	
• Computer equipment	5
• Furniture and fittings	5-8
• Motor vehicles	5
• Office equipment	5
• Plant & equipment	4-15

Land

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

Incomplete Construction Work

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

Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Town Council or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Town Council will obtain ownership by the end of the lease term.

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

1.5 Property, plant and equipment (Continued)

Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Transitional provision

The Council elected to adopt the Accrual Based IPSAS framework with effect from 01 July 2020. Furthermore, it chose the same date as the beginning of the transitional period with a view to take advantage of the exemptions provided by IPSAS 33 paragraph 36 and 38 (2020). Therefore, the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

The Council used the transitional provision in IPSAS 17 (2020) which provide entities with a period of up to three years to recognise all property, plant and equipment and make the associated measurement and disclosure from the date of its first application.

1.6 Intangible assets

Initial recognition.

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

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

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the Town Council for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

1.6 Intangible assets (Continued)

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost.

Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

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

Asset class	Useful life
Computer software	3 - 5 years

Derecognition

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

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

1.7 Leases

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

Finance leases - lessee

Operating Leases

Council recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

The Council as a Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the Town Council's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Council's net investment outstanding in respect of the leases or instalment sale agreements.

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

1.8 Financial instruments

The Council has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The Council does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the Council intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

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

1.8 Financial instruments (Continued)

The fair value of financial instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices; and
- The market for a Financial Asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Asset	Classification in terms of IPSAS 29
Non-current Investments - Fixed Deposits	Held-to-Maturity Investments
Non-current Investments - Shares	Available-for-Sale Investments
Long-term Receivables	Loans and Receivables
Receivables from Exchange Transactions	Loans and Receivables
Receivables from Non-exchange Transactions	Loans and Receivables
Bank, Cash and Cash Equivalents - Notice Deposits	Held-to-Maturity Investments
Bank, Cash and Cash Equivalents - Call Deposits Bank	Available-for-Sale Investments
Cash and Cash Equivalents - Bank	Available-for-Sale Investments
Bank, Cash and Cash Equivalents - Cash	Available-for-Sale Investments
Current Portion of Non-current Investments	Held-to-Maturity Investments
Current Portion of Long-term Receivables	Loans and Receivables

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

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

1.8 Financial instruments (Continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Liability	Classification in terms of IPSAS 29
Long-term Liabilities	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-Exchange Transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current Portion of Long-term Liabilities	Financial liability measured at fair value

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

At Fair Value through Surplus or Deficit

Financial Assets at Fair Value through Surplus and Deficit are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in Surplus or Deficit.

Held-to-Maturity Investments

Held-to-Maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an Effective Yield Basis.

Loans and Receivables

Loans and Receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Loans and Receivables are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

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

1.8 Financial instruments (Continued)

Available-for-Sale Investments

Available-for-Sale Investments are initially measured at Fair Value plus directly attributable transaction costs. They are subsequently measured at Fair Value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in Surplus or Deficit, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in Surplus or Deficit.

Financial Liabilities:

At Fair Value through Surplus or Deficit

Financial Liabilities that are measured at Fair Value through Surplus or Deficit are stated at Fair Value, with any resulted gain or loss recognised in Surplus or Deficit.

At Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at Fair Value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and over drafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets:

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

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

1.8 Financial instruments (Continued)

Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The provision is made where by the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

Financial Assets Available-for-Sale

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in Surplus or Deficit even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in Surplus or Deficit is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value less any impairment loss on that financial asset previously recognised in Surplus or Deficit.

Impairment losses recognised in Surplus or Deficit for an investment in an equity instrument classified as available-for-sale are not reversed through Surplus or Deficit.

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

1.8 Financial instruments (Continued)

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in Surplus or Deficit, the impairment loss must be reversed, with the amount of the reversal recognised in Surplus or Deficit.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- Non-exchange revenue, in accordance with the Standard of IPSAS on Revenue from Non-Exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Derecognition

Financial assets

The Council derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

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

Financial liabilities

The Council derecognises Financial Liabilities when, and only when, Council's obligations are discharged, cancelled or they expire.

The Council recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

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

1.9 Provisions and contingencies

The best estimate of the expenditure required to settle the present obligation is the amount that the Council would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the Council, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

Decommissioning, restoration and similar liability

Estimated long-term environmental provisions, comprising rehabilitation and land fill site closure, are based on the Council's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

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

1.9 Provisions and contingencies (Continued)

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Council recognises the expected cost of performance bonuses only when the Council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The Council provides retirement benefits for its employees.

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

1.10 Employee benefits (Continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Council's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.11 Borrowing costs

The Council uses the Benchmark treatment of borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

1.12 Related parties

Individuals as well as their close family members, and I or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and / or operating decisions. Management is regarded as a related party and comprises the Mayor, Management Committee Members, Council Members, Chief Executive Officer and all other Strategic Executive Officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

1.13 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

At 30 June 2021 the Council have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 25 to the Annual Financial Statements.

1.14 Investments in associates

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

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

1.15 Net assets

Statutory fund

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992). The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund. Unexpended moneys in the Housing Fund which are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

Monies standing to the credit of the Housing Fund are used only for purposes of the construction, acquisition or maintenance of dwellings; loans granted; repayment of loans raised; costs incurred in connection with the administration of housing schemes and any other purpose approved in writing by the Minister.

Accumulated Surplus

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

1.16 Grants-In-Aid

The Council transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Council does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

1.17 Value Added Tax

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

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

1.18 Material losses

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

1.19 Commitments

Commitments are future expenditure to which the Council committed and that will result in the out flow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

1.20 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

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

	2021	2020	2019
	N\$	N\$	N\$
2. PROPERTY RATES			
Rates received			
Rates - Commercial and residential	6 483 778	6 481 390	6 915 390
3. TRANSFERS FROM OTHER GOVERNMENT ENTITIES	950 116	16 052 262	15 923 257
Operating grants			
Road Fund Administration	-	16 052 262	590 739
Government grant - water subsidies	905 569	-	-
Subsidy: MRLGH	-	-	15 332 518
Capital grants			
Government grant (capital)	44 547	-	-
4. SERVICE CHARGES	15 262 738	12 617 200	12 356 430
Sale of water	11 640 747	9 099 025	8 866 717
Sewerage and sanitation charges	1 7693 66	1 675 517	1 674 797
Refuse removal	1 852 625	1 842 658	1 814 916

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

5. RENTAL OF FACILITIES AND EQUIPMENT	478 071	552 553	776 130
Rental income – amenities	478 071	535 303	755 430
Rental income – properties	-	17 250	20 700

Rental revenue earned on Facilities and Equipment is in respect of Non-Financial Assets rented out.

ANNEXURE E

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

	2020	2020	2019
	N\$	N\$	N\$
6. OTHER INCOME	773 590	842 002	3 332 483
Refund: Natis	463 714	511 249	264 766
Fire Brigade Fees	114 542	114 822	115 175
Connection/Disconnection Fees	34 722	37 543	99 217
Building Plan fees	21 845	24 789	24 715
Garden Soil And Gravel	27 863	5 732	5 952
Burial Fees	21 741	18 687	18 837
Permission to occupy	-	-	7 454
Fitness certificate	-	-	50 862
Tipeeg	-	-	2 325 859
Sale of Council building	-	-	227 400
Clearance certificate	-	-	6 719
Sundry income	89 163	129 180	185 527
7. INTEREST RECEIVED-INVESTMENT			
Bank	-	277 722	331 917
8. BULK PURCHASES			
Water	2 652 100	7 985 817	7 058 894

Bulk Purchases are the cost of commodities not generated by the Council, which the Council distributes in the municipal area for resale to the consumers. Water is purchased from Nam Water.

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

	2021	2020	2019
	N\$	N\$	N\$
9. EMPLOYEE RELATED COSTS	11 319 615	10 084 533	10 769 264
Basic	5 114 481	5 065 625	5 271 428
Bonus	194 260	-	-
Medical aid - company contributions	1 310 261	1 258 114	1 273 277
Social Security	29 603	41 068	64 837
Leave pay provision charge	(31 361)	(193 844)	157 554
Defined contribution plans	956 836	995 106	1 016 473
Overtime payments	271 635	326 651	284 721
Service Bonus	369 528	340 745	362 638
Car allowance	-	68 467	102 701
Housing benefits and allowances	1 483 882	1 657 664	1 653 770
Other allowances	618 263	524 937	581 865
Severance	1 002 227	-	-
10. REMUNERATION OF COUNCILLORS			
Councillors	375 093	469 765	477 710
11. DEBT IMPAIRMENT			
Debt impairment	-	4 473 067	8 532 825

The impairment of debt is based on the days past due date. All debts that are 120 days or more constitute an impairment provision for the financial year.

ANNEXURE E

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

	2021	2020	2019
	N\$	N\$	N\$
12. GENERAL EXPENSES	4 678 877	5 677 838	5 832 605
Cleansing Charges	82 200	124 497	-
Advertising	72 622	147 134	36 600
Bank charges	-	218 144	177 744
Otavi investment expo	-	-	11 000
Catering & Entertainment Cost	62 857	101 627	59 659
Community and public participation	-	2 905	-
Computer expenses	52 796	12 836	-
Consulting and professional fees	23 300	103 289	10 967
Temporary workers	-	-	246 866
Donations	19 500	-	17 898
Electricity departmental	653 541	733 377	1 023 681
Incidental expenses	-	-	44 232
Fuel and oil	307 915	338 471	436 402
IT expenses	166 063	192 902	180 054
Insurance	-	265 570	269 585
Legal cost	-	-	5 282
Water meters/pre-paid	-	-	46 565
Interest and redemption	-	-	119 865
Internship expenditure	17 636	52 560	35 283
Levies	211 628	324 070	-
Motor vehicle expenses	475 619	441 623	83 349
Material and stores	-	-	187 747
Pest control	219 107	318 669	-
Postage and courier	36 020	36 026	183 215
Printing and stationery	212 830	245 737	310 400
Protective clothing	-	8 683	-
Regional Council 5% rates and taxes	188 880	-	345 769
Refuse	-	348 750	-
Youth Centre Sec/Care Taker	306 880	287 434	414 831

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

	2021	2020	2019
	N\$	N\$	N\$
12. GENERAL EXPENSES (continued)			
Research and development costs	424 054	92 755	260 770
Security (Guarding of municipal property)	618 347	775 007	893 505
Service Connections	70 986	12 217	-
Subscriptions and membership fees	40 000	34 950	74 200
Telephone and fax	205 429	155 237	-
Training	31 100	166 602	52 509
Travel-local	175 218	136 766	304 627
Not allocated elsewhere	4 349	-	-
	537 843	653 686	648 688
13. INVESTMENT REVENUE			
Dividend revenue			
Associates – Local	537 843	653 686	648 688
	11 591 762	9 697 746	491 798
14. CASH AND CASH EQUIVALENT			
Cash and cash equivalents consist of:			
Bank balances	5 208 515	-	491 798
Short-term deposits	6 383 247	9 888 456	-
Bank overdraft	-	(190 710)	-
	11 591 762	9 697 746	491 798
Current assets	11 591 762	9 888 456	491 798
Current liabilities	-	(190 710)	-

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

14. CASH AND CASH EQUIVALENT (Continued)

For the purpose of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-On-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts. Short - term deposits were previously reported as investments under non - current assets. Comparative figures for periods beginning 01 July 2020 have therefore been restated in order to comply with IPSAS 2.

No other restrictions have been imposed on the Council in terms of the utilisation of its Cash and Cash Equivalents. Short term deposits consist of Call deposits and fixed deposits.

Call and Notice Deposits.

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates per annum.

Fixed deposits

Fixed Deposits are fixed term investments with a maturity period of less than 12 months and earn interest rates per annum.

Short term deposits were previous classified as non - current investments. These balances have since been reclassified as cash and cash equivalents. The comparative figures for the Statement of Cash flows will therefore will therefore differ from those presented for the period ended 30 June 2020 due to the reclassification.

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

	2021	2020	2019
	N\$	N\$	N\$
14.1 INVESTMENTS			
Commercial banks	-	-	7 410 058
Made up as follows	-	-	7 410 058
Build together Revolving	-	-	23 242
Build Together Disbursement FNB	-	-	348 993
Build Together Receipt FNB	-	-	1 415 193
Otavi Capital Projects FNB	-	-	3 512 425
32 Days Investment FNB	-	-	770 833
Otavi Single Quarter. Transformation FNB	-	-	1 299 411
Otavi Single Quarter Project FNB	-	-	39 961
Interest earned	-	-	395 930
Build together Revolving	-	-	255
Build Together Disbursement FNB	-	-	22 325
Build Together Receipt FNB	-	-	41 434
Otavi Capital Projects FNB	-	-	174 404
32 Days Investment FNB	-	-	57 387
Otavi Single Quarter. Transformation FNB	-	-	99 688
Otavi Single Quarter Project FNB	-	-	437
<i>Interest earned on Build together account is allocated to the BTP Fund. All other interest has been allocated to the operation income vote.</i>			
15. VAT RECEIVABLE			
VAT	4 995 147	4 605 028	2 189 649

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

15. VAT RECEIVABLE (Continued)

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

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

	2021	2020	2019
	N\$	N\$	N\$
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS	16 167 642	8 578 231	3 118 006
Trade debtors	15 717 337	8 188 426	3 118 006
Employee costs in advance	10 500	-	-
Prepayments (if immaterial)	50 000	-	-
Accruals	389 805	389 805	-

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. There after interest is charged at a rate determined by Council on the outstanding balance. The Council strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Council did not pledge any of its Receivables as security for borrowing purposes.

Allowance for Impairment:

At 30 June 2021 Receivables from Exchange Transactions of N\$ 35 459 273 (30 June 2020: N\$ 35 439 273) were impaired and fully provided for.

In determining the recoverability of Receivables, the Council has placed strong emphasis on verifying the payment history of consumers. Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 120 days per service type.

No further credit allowance is required in excess of the Allowance for Impairment.

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

17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Suspense accounts are in respect of temporary advances made in the normal month-to-month operations of the Council, not recovered at year-end.

Council does not hold deposits or other security for its Receivables.

2021	2020	2019
N\$	N\$	N\$

18. LONG TERM RECEIVABLES

Total receivables from exchange transactions

Long term receivables	5 413 573	5 413 573	5 392 936
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The long term receivables are composed of the following:

Development and Housing Funds

Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at an interest rate of 4,00% per annum, repayable over a maximum period of 20 years.

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

19. PROPERTY, PLANT AND EQUIPMENT	2021		2020		
	Cost/valuation N\$	Accumulated depreciation and accumulated impairment N\$	Carrying value N\$	Accumulated depreciation and accumulated impairment N\$	Carrying value N\$
Plant and machinery	133 848 448	(18 985 243)	114 863 205	(8 033 961)	125 814 487

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2021

	Opening balance N\$	Depreciation N\$	Total N\$
Plant and machinery	125 814 487	(10 951 282)	114 863 205

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2020

	Opening balance N\$	Additions N\$	Depreciation N\$	Total N\$
Plant and machinery	120 980 679	12 867 769	(8 033 961)	125 814 487

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

			2021	2020	2019
			N\$	N\$	N\$
20. INVESTMENT IN ASSOCIATES					
Name of company	% holding 2021	% holding 2020	Carrying amount	Carrying amount	Carrying amount
CENORED	-%	-%	5 313 439	5 313 439	5 313 439

Movements in carrying value

Opening balance	5 313 439	5 313 439	5 313 439
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21. PAYABLES UNDER EXCHANGE TRANSACTIONS

	37 528 617	35 043 379	24 381 397
Trade payables	28 866 740	29 103 700	983 038
Provision for leave pay	-	-	1 332 364
Accrued leave and bonus pay	1 301 420	1 138 521	-
Namwater current/ring-fenced	-	-	15 620 652
Severance	1 002 227	-	-
Salaries and wages creditors	1 285 133	-	-
Sundry (511)	-	-	2 316 052
Regional Council accrued levies	1 933 691	1 722 063	1 397 994
Loans in arrears	3 139 406	3 079 095	2 731 297

Staff Leave:

Leave accrues to the staff of the Council on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

22. LONG TERM LOANS**At amortised cost**

GRN Long Term Loans	494 967	556 797	-
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The loans are over a period of 30 years with fixed interest rate of 12% per annum. The loans are unsecured.

ANNEXURE E

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

	2021	2020	2019
	N\$	N\$	N\$
22. LONG TERM LOANS (Continued)			
Non-current liabilities			
At amortised cost	425 494	556 797	646 650
Current liabilities			
At amortised cost	69 473	-	-
23. FUNDS	11 059 784	11 059 784	119 224 311
General Funds	11 059 784	11 059 784	-
Build together fund	-	-	9 224 691
Fixed Property fund	-	-	1 589 287
Revenue account kept in compliance with section 86(1) of the local Authorities Act 1992	-	-	108 410 333

24. RELATED PARTIES

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Related party balances:**Outstanding balances on services accounts**

Heita Shikeenga - Manager: Finance & IT	1 280	950	-
Jack Mutjavikua -Manager: Technical Services	6 381	1 754	-
Ernst Struoie Gaoab - Human Resources Manager	67 057	34 637	-

These accounts are subject to normal Council terms and conditions including payment of consumer deposits.

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

	2021	2020	2019
	N\$	N\$	N\$
24. RELATED PARTIES (Continued)			
Amounts included In Trade receivable (Trade Payable) regarding related parties			
Cllr Isaac !Hoab - Mayor	188 539	160 009	-
Cllr Frieda Mwula - Deputy Mayor	11 480	5 717	-
Cllr Erisia Negumbo - Chair Management Committee	1 125	540	-
Cllr Naftali Dauseb	6 750	4 707	-
Cllr Timoteus Shipandeni - Member of Management Committee	5 892	2 655	-
Cllr Bella Utale	46 427	33 823	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Chief Executive Officer and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement

Remuneration of management

Refer to Note 9.

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

25. GOING CONCERN

Management considered the fact that the Council continue to have the capacity and ability to collect rates and taxes from:

- (i) Strict daily cash management processes are embedded in the Council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.
- (ii) As the Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- (iv) The Council continue to receive financial support for capital projects and its operations from the central government through the Ministry of Urban and Rural Development.

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

26. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2021.

ANNEXURE E

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

27. BUDGET VERSUS SPENT

EXPENDITURE	2020		
	Budget N\$	Spent N\$	Variance N\$
SALARIES AND WAGES	6 714 972	4 691 319	2 023 653
OVERTIME	152 000	326 651	(174 651)
COUNCILOR ALLOWANCE	483 086	469 765	13 321
HOUSING ALLOWANCE	1 822 626	1 657 664	164 962
SERVICE BONUS	559 581	340 745	218 836
PENSION FUND CONTRIBUTION	1 457 149	995 106	462 043
SOCIAL SECURITY	60 436	41 068	19 368
MEDICAL AID	1 474 624	1 258 114	216 510
CELL/AIRTIME	54 600	61 899	(7 299)
TRANSPORT	600 336	463 038	137 298
VEHICLE ALLOWANCE	110 405	68 467	41 938
Total salaries and wages	13 489 815	10 373 835	3 115 979

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

27. BUDGET VERSUS SPENT (Continued)

EXPENDITURE (Continued)	2020		Variance
	Budget	Spent	
	N\$	N\$	N\$
ADVERTISING	95 000	129 743	(34 743)
OTAVI INVESTMENT EXPO	500 000	17 391	482 609
BULK PURCHASES: WATER	6 000 000	7 985 817	(1 985 817)
CONSULTANCY FEE	225 000	103 289	121 711
COURIER FEES	32 000	36 026	(4 026)
ELECTRICITY DEPARTMENTA	919 000	733 377	185 623
ENTERTAINMENT- OFFICIAL	120 000	101 627	18 373
FUEL AND OIL	589 000	338 471	250 529
HIV/AIDS PROGRAMM	15 000	2 905	12 095
INCIDENTAL EXPENSES	50 000	124 497	(74 497)
AFFILIATION FEES	15 000	-	15 000
UNIFORMS	100 000	-	100 000
INSURANCE	279 080	265 570	13 510
LEGAL COSTS	35 000	-	35 000
VEHICLE LICENCE FEES	90 000	63 999	26 001
MATERIAL AND STORES	258 800	318 669	(59 869)

ANNEXURE E

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

EXPENDITURE (Continued)	2020		
	Budget N\$	Spent N\$	Variance N\$
MEMBERSHIP FEES	101 400	34 950	66 450
POSTAGE AND TELEPHONE	181 000	155 237	25 763
PRINTING AND STATIONERY	228 500	245 737	(17 237)
PROTECTIVE CLOTHING	50 000	8 683	41 317
SMALL TOOLS & EQUIPMENT	15 000	-	15 000
PEST CONTROL	20 000	-	20 000
REGIONAL COUNCIL FEES	375 000	324 070	50 930
SECURITY SERVICES	700 000	775 007	(75 007)
TOOLS AND EQUIPMENT	60 000	54 502	5 498
STAFF TRAINING	230 000	166 602	63 398
TRAVELLING AND ACCOMODATION	432 000	136 766	295 234
CORPRATE AFFAIRS EXPENSES	180 000	-	180 000
INDEPENDENCE CELEBRATION	15 000	-	15 000
TEMPORARY WORKERS	258 000	374 306	(116 306)

ANNEXURE E

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

27. BUDGET VERSUS SPENT (Continued)

EXPENDITURE (Continued)	2020		Variance
	Budget	Spent	
	N\$	N\$	N\$
FENCING	120 000	-	120 000
DONATIONS	20 000	-	20 000
FILLING SYSTEM PLAN	40 000	-	40 000
VIP PAYROLL LICENCE FEES	40 000	24 765	15 235
FINSTEL LICENCE FEES	-	168 137	(168 137)
PROVISION FOR BAD DEBT	800 000	-	800 000
SEWERAGE TREATMEANT CHEMICAL	40 000	-	40 000
TEAM BUILDING	125 000	-	125 000
INTERNSHIP PROGRAM	75 000	52 560	22 440
WATER METERS	450 000	12 217	437 783
BANK CHARGES	153 000	218 144	(65 144)
FIRE FIGHTING FEE	35 000	-	35 000
OPEN MARKET	200 000	-	200 000
General expenses	14 266 780	12 973 064	1 293 716

ANNEXURE E

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

27. BUDGET VERSUS SPENT (Continued)

EXPENDITURE (Continued)	2020		
	Budget N\$	Spent N\$	Variance N\$
BUILDINGS	200 000	-	200 000
FURNITURE	106 000	-	-
HOUSES	130 000	24 250	105 750
MACHINES AND EQUIPMENT	401 500	230 444	171 056
STORE ROOM REPAIRS	100 000	-	100 000
OFFICE ACCESS SECURITY	50 000	-	50 000
SEWERAGE LINE AND MANHOLES	250 000	-	250 000
TOOLS & EQUIPMENT	40 000	2 488	37 512
WATER INFRASTRUCTURE	500 000	-	500 000
OWN WATER INFRASTRUCTURE	300 000	-	300 000
TREATMENT PLAND SEWERAGE	1 080 000	-	1 080 000
STREETS SIDEWALKS	100 000	-	100 000
STREET NAME SIGNS	100 000	-	100 000
COMPUTER EQUIPMENT	8 000	-	8 000
VEHICLES	375 000	12 836	362 164
WATRER METERS/PRE-PAID	200 000	-	200 000
Total repairs and maintenance	3 940 500	270 018	3 564 482

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

27. BUDGET VERSUS SPENT (Continued)

	2020		Variance
	Budget	Spent	
	N\$	N\$	N\$
EXPENDITURE (Continued)			
INTERST AND REDEPMTION	127 757	78 361	49 396
AIR CONDITIONING	50 000	-	-
Total Capital cost	177 757	78 361	49 396
VECHILES AND EQUIPMENT	580 000	2 020	577 980
ROAD MAINTENANCE	774 000	375 604	398 396
PREPAID YARD METERS	2 000 000	-	2 000 000
WHEEL LOADER	710 000	-	710 000
TIPEEG	-	162 000	(162 000)
ROADS CONSTURCTION	-	442 837	(442 837)
TIPPER TRUCK	250 000	-	250 000
CONSTRUCTION OF FIRE STATION	200 000	-	-
INTERIM VALUATION ROLL	200 000	-	200 000
DUMPING SITE	800 000	348 750	451 250
TOWN PLANNING AND SURVEYING	2 000 000	92 755	1 907 245
OWN WATER SUPPLY	2 000 000	-	2 000 000
FFRONT END LOANDER	1 200 000	-	1 200 000
Total to capital	10 714 000	1 423 966	9 090 034

ANNEXURE E

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

27. BUDGET VERSUS SPENT (Continued)

EXPENDITURE (Continued)	2020		Variance
	Budget	Spent	
	NS	NS	NS
DEPRECIATION	-	8 033 961	-
PROVISION DOUBTFUL DEBTS	-	4 473 067	(4 473 067)
LEAVE PROVISION	-	(193 844)	193 844
NON CASH	-	12 313 184	(4 279 223)
PLANNING OF SEWERAGE SYSTEM	5 000 000	-	-
	5 000 000	-	-
INCOME			
PENALTY CHARGES	1 848	4 967	(3 119)
PERMISSION TO OCCUPY	10 000	-	10 000
SITE RENTAL	400 000	188 945	211 055
ASSESSMENT RATE	7 500 000	4 230 169	3 269 831
CONTRIBUTIONS MRLGH	200 000	-	200 000
TOWNLAND LEVY	2 600 000	2 251 222	348 778

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

27. BUDGET VERSUS SPENT (Continued)

INCOME (Continued)	2020		Variance
	Budget	Spent	
	N\$	N\$	N\$
BURIAL FEES	17 500	18 687	(1 187)
CONNECTION/DISCONNECTION	165 000	37 543	127 457
CONTRIBUTION: CENORED	800 000	653 686	146 314
FIRE BRIGADE FEES	115 000	114 822	178
CONTRIBUTION DEVELOPMENT FUND	200 000	-	200 000
TENDER BOARD	5 000	-	5 000
SUBSIDY MRLGH	7 200 000	16 052 262	(8 852 262)
GARDEN SOIL AND GRAVEL	10 000	5 732	4 268
FITNESS CERTIFICATE	60 000	81 107	(21 107)
NATIS REFUND	490 000	511 249	(21 249)
ROAD FUND REFUND (RFA)	774 000	-	774 000
REFUSE REMOVA - PRIVATE	1 900 000	1 842 658	57 342
RENTL - BUNGALOWS	20 700	17 250	3 450
BUILDING PLAN FEES	21 500	24 789	(3 289)
SUBSIDY MRLGH	800 000	-	800 000

ANNEXURE E

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

27. BUDGET VERSUS SPENT (Continued)

INCOME (Continued)	2020		Variance
	Budget	Spent	
	N\$	N\$	N\$
RENTAL: TOWNLANDS-CAMPS	150 000	111 005	38 995
SALE OF COUNCL BUILDINGS	230 000	-	230 000
RENTAL- CIVIC BUILDING	80 000	-	80 000
RENTAL COMMUNITY HALL	6 200	5 935	265
RENTAL HOUSING	250 000	215 422	34 578
RENTAL MACHINERY	220 000	13 996	206 004
SEWERAGE PRIVATE	1 700 000	1 675 517	24 483
FIRE BRIGADE FEES	250 000	-	250 000
SAVINGS CAPITAL	3 345 600	-	3 345 600
OWN SAVING	100 000	-	100 000
SUNDRY INCOME	92 000	129 180	-37 180
WATER PRIVATE	7 500 000	7 510 139	-10 139
PRE-PAID WATER SALES	290 000	302 941	-12 941
PRE PAID TOKENS	-	409	-409
INTEREST ON INVESTMENTS	-	277 722	-277 722
BILL BOARDS	60 000	-	60 000
SALE OF ERVYAN	7 700 000	2 172 863	5 527 137

ANNEXURE E

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

27. BUDGET VERSUS SPENT (Continued)

INCOME (Continued)	2020		Variance
	Budget	Spent	
	N\$	N\$	N\$
ENFORCING OF HEALTH REGULATIONS	180 000	-	180 000
BASIC CHARGES ON WATER	1 400 000	1 399 907	93
BASIC CHARGES ON WATER - BUSINESS	190 000	(114 371)	304 371
INTEREST ON OUTSTANDING ACC	620 000	762 655	(142 655)
CLEARANCE CERTIFICATE	35 000	5 979	29 021
Total Income	47 689 348	40 504 389	7 184 959

ANNEXURE E

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

28. SALE OF WATER

SALE OF WATER IN UNITS AND NAMIBIAN DOLLARS

	2020
	NS
Sales	9 099 025
Cost of bulk purchases	<u>(7 985 817)</u>
Gross profit/Loss	1 113 208
Net expenditure	<u>(1 120 656)</u>
NET LOSS/DEFICIT	<u>(7 448)</u>
Gross loss percentage on sales	12 %
Net loss on sales	(1 222) %
Units purchased	572 460
Units sold	<u>221 543</u>
	<u>350 917</u>
Net loss % on sales	61 %