



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF RUACANA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

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

WINDHOEK, June 2022

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON
THE ACCOUNTS OF THE TOWN COUNCIL OF RUACANA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Town Council of Ruacana for the financial year ended 30 June 2020. These financial statements comprise of statement of financial position, statement of surplus or deficit, statement of changes in net assets or equity, statement of comparison of budget and actual amounts, cash flow statement for the year then ended, summary of significant accounting policies and notes to the financial statements.

In my opinion, except for the effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly in all material respects the financial position of the Town Council of Ruacana as at 30 June 2020, and their financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR QUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

A qualified audit opinion is being expressed due to the following reasons:

- Differences amounting to N\$ 304 386 were observed between the financial statements and the supporting documents for accounts payables balances at year end;
- Auditors noted difference of N\$ 517 810 between the annual financial statements and the age analysis closing balances;
- Difference amounting to N\$ 463 406 were observed between the payroll earning reports and the general ledger;
- A difference of N\$ 898 993 on Funds and accounts was noted between 2019 closing balance and the 2020 opening balance in the Statement for changes in net assets/equity and
- Cash and cash equivalent at the end of the year was not agreeing to the cash equivalents in the statement of financial position.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming an audit opinion thereon, and I do not provide a separate opinion on these matters. I do not have anything to report on this matter.

4. OTHER MATTERS

Attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Town Council of Ruacana in the financial statements. My opinion is not modified in respect of this matter.

It was observed that the Council's filing system is very poor. The Human Resources (HR) documents are not filled properly in the personnel files of the respective staff members. Generally, the filing system at the HR was poor and not easily traceable.

- Auditors noted that Human Resources (HR) department does not prepare salary advices to finance department for any changes such as salary adjustments, staff movement and any other salary payments related to staff members;
- HR department does not update the staff records cards of all the salary movements (changes) such as salary scale and notches; and
- The Council have two salary structures in place where by one was approved by the Council and other one approved by the line Ministry as unified salary structure. Some staff members with same positions are paid at different salary scale due to the mentioned audit observation.

5. OTHER INFORMATION

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to it 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.
- 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 auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2020 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

SECTION B: AUDIT OF PERFORMANCE INFORMATION

1.1. AUDIT OF KEY PERFORMANCE INFORMATION

I conducted an audit on performance information of the Town Council of Ruacana for the Strategic period 2020, consecutively with the audit of financial statements for the year ended 30 June 2020.

1.2. DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

1.3. KEY AUDIT FINDINGS

The approved Strategic Plan with key performance indicators were not made available at the time of the audit. Important audit confirmation could not take place.

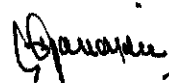
1.4 CONCLUSION ON SUBJECT MATTER

Because of the significance of the key audit findings section of my report, I have not been able to obtain sufficient appropriate evidence to form a conclusion on the Key Performance Information of the Council. Accordingly, I do not express a conclusion.

9. ACKNOWLEDGEMENTS

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

WINDHOEK, June 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Statements and notes set out below comprise annual financial statements for Ruacana Town Council:

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**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020
CHIEF EXECUTIVE OFFICER REPORT**

Statement from the Chief Executive Officer

This financial report provides the overview on the performance and progress made by the Ruacana Town Council, in fulfilling its strategic objectives and other associated service delivery priorities. As we report to you our valued stakeholders, at the end of each and every financial year, so much has been taken into cognizance of the fact that our performance is placed under close scrutiny through the Budget mechanism which we are required to strictly adhere to as an operational and performance measure. In addition to the legislative oversight (annual budget), the Town Council's endeavors extend to the Regional and National Development Plans.

The report contains highlights of the programs and projects that were successfully delivered by Ruacana Town Council in order to enhance service delivery to the community and all our stakeholders. As a Town Council, the very reason for proclamation was to ensure we become the vehicle of social upliftment for communities we serve. Concerted efforts were made and are still being made to improve service delivery to the communities the Town Council serves. To achieve this, the roles and responsibilities of the Town Council staff have been focused on accountability, transparency and a culture of good leadership from the executive. A combination of these merits generated an offspring in the form of effective optimization of available and scarce resources. The council continues to focus on efforts to strengthen governance structures through the review of policies, processes, and procedures.

Although the Council managed to improve its financial sustainability, it continues to experience financial challenges at a time when the nation is experiencing an economic downturn. The financial year 2019/2020 has particularly been a challenging one as the arrival of Covid-19 exerted more pressure on Council's operations, hence cash flows. Covid19 equally constrained the government, one of our valued stakeholder to whom we usually turn to for support and hence this placed a significant impact on the Council's ability to deliver on its strategic objectives.

Council is however expected to perform even in an increasingly volatile environment by taking tough decisions that have impacts on the lives of our community. I am however thankful for the employees and management for their commitment, passion and hard work during the year under review. Ruacana Town Council still managed to deliver on the following:

- Council spent N\$ 1 730 220 on the construction of gravel roads in extension 2 and 3 of Oshifo. This created access streets to 61 residential properties, 32 business properties and 6 public opens spaces.
- An amount of N\$ 1 575 281 was spent on the provision of electrical infrastructures. This provided services to 65 residential properties.
- The Council's water reticulation network in extension 3 of Oshifo was also expanded to give services to 185 residential properties. This was a self-financed service that cost the Town Council N\$ 510 506.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020
CHIEF EXECUTIVE OFFICER REPORT (Continued)**

Total revenue received for the 2019/2020 financial year, excluding capital transfers and contributions, increased by 12% from the financial year 2018/2019. Personnel cost as a percentage of total operating expenditure stood at 42%, which is above the national norm of 35%. It has been a challenge to reduce the salary cost, as the service delivery functions are not for profit. Council has to implement spending controls, cost containment measures, as well as sound financial discipline. As a result, council succeeded in increasing the cash balance from N\$ 256 597 to N\$ 1 748 603.

During the year under review, an approval was granted for the establishment of a new Township, to be known as Ruacana extension 3, comprising of 308 erven. The establishment of this new extension is an achievement to the Council's strategic objectives which is in line with government's call for the local authorities to avail land at an affordable price to Namibians for housing development.

With accountability, transparency, and financial sustainability being important in public finance management, the Town Council has along with other local authorities adopted and implemented International Public Sector Accounting Standards (IPSAS) to ensure all its general-purpose financial reports cover a wide catchment area of stakeholders. These financial statements are our first step in reporting financial information using the IPSAS format. I hope and anticipate that decision making for potential investors (locally and internationally) has been enhanced by the way the Town Council is reporting its financial information.

I thank you.

Emilia N Nanyeni

CHIEF EXECUTIVE OFFICER

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	<u>2020</u> N\$
ASSETS		
Current assets		18 017 155
Inventories	5	14 472 910
Accounts receivables	6	1 318 589
Value Added Tax Receivable	7	400 511
Unrestricted cash and cash equivalents	8	1 748 601
Pre-payments	9	76 544
Non-current assets		50 484 490
Property, plant and equipment	2	47 663 393
Intangible assets	3	21 957
Long-term receivables	4	2 799 140
Total assets		<u>68 501 645</u>
LIABILITIES		
Current liabilities		5 707 968
Accounts payables: exchange transactions	10	2 339 837
Accounts payables: non-exchange transactions	10	285 503
Accrued expenses	11	463 933
Employee provisions	12	1 112 131
Other creditors	13	1 506 564
NET ASSETS/EQUITY		62 793 677
Funds and accounts	15	6 998 878
Accumulated surplus or deficit		55 794 799
Total net assets/equity		<u>68 501 645</u>

ANNEXURE B

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF SURPLUS OR DEFICIT FOR THE YEAR ENDED 30 JUNE**

	Note	<u>2020</u> N\$
REVENUE		
Revenue from exchange transactions		20 259 732
Rental income	16	1 637 879
Surcharge income	17	278 944
Service charges	18	16 086 579
Interest received	19	1 372 386
Other income	20	757 742
Fees, fitness and certificates	21	126 202
Revenue from non-exchange transaction		8 044 143
Property rates and taxes	22	3 246 599
Transfers: government and other departments	23	4 718 544
Donation income		79 000
TOTAL REVENUE		28 303 875
EXPENSES		
		27 733 828
Employee costs	24	7 864 119
Councillors remuneration		483 084
Donation		6 000
5% Regional Council contribution		123 359
Water purchase	25	4 706 536
Repairs and maintenance	26	2 365 099
General and administrative expense	27	3 277 408
Depreciation expense	2	5 081 614
Impairment-inventories		71 419
Allowance for doubtful debts	6	3 415 402
Bad debts		126 650
Employee provisions		213 138
Surplus for the period		570 047

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE**

	Note	Accumulated surplus/deficit	Capital outlay	Funds and accounts	Total net assets/equity
		N\$	N\$	N\$	N\$
Opening balance as at 30 June 2019		(2 750 852)	81 560 108	*6 810 607	85 619 863
Net assets at 01 July 2019		(2 750 852)	81 560 108	6 810 607	85 619 863
Movements in funds balances and reserves-2020					
Erven inventory reversal-private, Government & Council property		-	(46 701 612)	-	(46 701 612)
Investment assets		-	353 819	-	353 819
Allowance for doubtful debts		(3 978 970)	-	-	(3 978 970)
Depreciation on serviced plots	30	2 506 441	-	-	2 506 441
Depreciation on dustbins (2011 & 2012)	30	1 771	-	-	1 771
Depreciation on dustbins	30	6 637	-	-	6 637
Proceeds from house disposal-Erf 205	30	20 000	-	-	20 000
Audit fee - 2019	30	150 000	-	-	150 000
Council buildings		9 010 992	-	-	9 010 992
Council property - land		733 680	-	-	733 680
Erven inventory		14 471 063	-	-	14 471 063
Regional Council levy-(2018 & 2019)		(20 148)	-	-	(20 148)
Other movements		776 976	-	-	776 976
Total movements at adoption of IPSAS		23 678 441	(46 347 793)	-	(22 669 351)
Balance as at 01 July 2019		20 927 589	35 212 315	6 810 607	62 950 512

ANNEXURE C

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE (Continued)**

	Accumulated surplus/(deficit) N\$	Capital outlay N\$	Funds and accounts N\$	Total net assets/equity N\$
Surplus or deficit for the year	559 590	-	-	569 590
Transfer to accumulated surplus	35 212 315	(35 212 315)	-	-
Transfer to funds and accounts	(188 271)	-	188 271	-
Sub-total	35 593 634	(35 212 315)	188 271	569 590
Net assets/equity as at 30 June 2020	56 521 224	-	6 998 878	63 520 102

*Opening balance for Funds and accounts (N\$ 6 810 607) does not agree to prior year closing balance (N\$ 7 709 600).

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	2020
		N\$
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus /(deficit) for the year		569 590
Adjustments for non-cash items	31.1	8 882 039
Government transfers		(4 568 544)
Adjusted surplus for the year		4 883 085
Working capital changes		
Increase in inventory	31.2	(9 444)
Increase in accounts receivables	31.3	(4 365 031)
Increase in VAT receivables	31.4	(101 788)
Increase in pre-payments		(76 543)
Increase in accounts payables	31.5	609 629
Increase in other creditors	31.9	263 639
Total movement in working capital changes		(3 679 538)
Net cash flow from operating activities		1 203 547
CASH FLOW FROM INVESTING ACTIVITIES		
Construction of infrastructure		(4 089 935)
Government transfer		4 568 544
Net cash flow from investing activities		478 609
Net increase /(decrease) in cash and cash equivalent		1 682 156
Cash & cash equivalent at the beginning of the period		256 597
Cash and cash equivalent the end of the period		*1 938 753

Cash and cash equivalent consist of balances with banks and short-term investments on call accounts. Cash and cash equivalent included in the financial statements differ from the cash equivalents as per the statement of financial position as per note 8. The Town Council has no undrawn balances for capital projects.

Audit Observation: Cash and cash equivalent at the end of the year were not agreeing to the cash equivalents in the Statement of financial position.

ANNEXURE E

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2020**

	Original budget N\$	Final adjusted budget N\$	Actual outcome N\$	Variance N\$	Variance %
Statement of surplus or deficit					
Revenue from exchange transactions					
Rental income	1 637 880	1 637 880	1 637 880	-	0%
Surcharges income	324 000	324 000	278 945	45 055	14%
Service charges	16 044 530	16 044 530	16 086 579	(42 049)	0%
Interest income	1 313 126	1 313 126	1 372 386	(59 260)	(5%)
Other income	1 588 316	1 588 316	757 741	830 575	52%
Fees, fines and certificates	162 000	162 000	126 202	37 798	22%
Sub-total	21 069 852	21 069 852	20 259 733	810 119	4%
Revenue from non-exchange transaction					
Property rates & taxes	2 363 757	2 363 757	3 246 599	(882 842)	(37%)
Transfers: Government & department	7 190 600	7 190 600	4 718 544	2 472 056	34%
Donation income	140 000	140 000	79 000	61 000	44%
Sub-total	9 694 357	9 694 357	8 044 143	1 650 214	17%
Grand total	30 764 209	30 764 209	28 303 876	2 460 333	8%

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

	Original budget	Final adjusted budget	Actual outcome	Variance	Variance
	N\$	N\$	N\$	N\$	%
Expenses					
Employee costs	8 566 547	8 566 547	7 864 119	702 428	8%
Councillors remuneration	483 084	483 084	483 084	0	0%
Donation	25 000	25 000	6 000	19 000	76%
5% Regional Council contribution	118 187	118 187	123 359	(5 172)	-4%
Water purchase	4 553 900	4 553 900	4 706 536	(152 636)	-3%
Repair & maintenance	2 568 000	2 568 000	2 365 099	202 901	8%
General and administrative expenses	3 877 900	3 877 900	3 277 409	600 491	15%
Depreciation expense	-	-	5 081 614	(5 081 614)	100%
Impairment-inventories	-	-	71 420	(71 420)	100%
Allowance for doubtful debts	-	-	3 415 402	(3 415 402)	100%
Bad debts	-	-	126 650	(126 650)	100%
Employee provisions	-	-	213 138	(213 138)	100%
Total expenses	20 192 618	20 192 618	27 733 830	(7 541 668)	37%
Surplus/(deficit)	10 571 591	10 571 591	570 046	10 002 001	95%
CAPITAL BUDGET STATEMENT OF COMPARISON					
Transfers recognised-capital	3 906 481	3 906 481	3 906 481	-	0%
Total capital expenditure	4 089 935	4 089 935	4 089 935	-	0%
Government contributions	3 906 481	3 906 481	3 906 481	-	0%
Internally generated funds	183 454	183 454	184 454	-	0%
Total: Sources of capital funds	4 089 935	4 089 935	4 089 935	-	0%

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED
30 JUNE 2020 (Continued)

	Original budget	Final adjusted budget	Actual outcome	Variance	Variance
	N\$	N\$	N\$	N\$	NS
Unspent amounts					
Bulk filler	47 000	47 000	-	47 000	100%
Training	50 000	50 000	-	50 000	100%
Overtime	5 566	5 566	-	5 566	100%
HIV/AIDS Assistance	5 000	5 000	-	5 000	100%
Training	120 000	120 000	-	120 000	100%
SME training	30 000	30 000	-	30 000	100%
Tender board fees	7 000	7 000	-	7 000	100%
International travel	25 000	25 000	-	25 000	100%
Printing and stationery	95 000	95 000	-	95 000	100%
Casual labour	241 000	241 000	-	241 000	100%
Medical check up	25 000	25 000	-	25 000	100%
Relocation expenses	3 500	3 500	-	3 500	100%
Government gazette	4 500	4 500	-	4 500	100%
Plant, machinery & equipment	355 000	355 000	-	355 000	100%
Air Conditioner	110 000	110 000	-	110 000	100%
Tools and Equipment	129 341	129 341	-	129 341	100%
Fire protection Equipment	35 000	35 000	-	35 000	100%
Furniture	15 000	15 000	-	15 000	100%
Hydro blast Machine	15 000	15 000	-	15 000	100%
Office Furniture	35 000	35 000	-	35 000	100%
Open Market	175 000	175 000	-	175 000	100%
Plant, Machinery & Equipment	295 000	295 000	-	295 000	100%
Skipper, Trailer & Container	20 000	20 000	-	20 000	100%
Total	1 842 907	1 842 907	-	1 842 907	100%

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

BUDGET COMMENTS ON VARIANCES

Revenue from exchange transactions

Rental income

The increase in rental income is attributable to an increase in the rental fee charged by the Town Council.

Surcharge income

The Town Council over budgeted this revenue line. However, electricity demand forecast remains erratic year on year.

Revenue from non-exchange transactions

Other income

52% below budgeted amount is attributable to the general decrease in the economic activity due to Covid19.

Fees, fines, and certificates

The 22% below budget is attributable to the general slump in economic activity as a result of Covid19.

Property rates and taxes

The 37% above budget is due to an increase in number of properties on which rates and taxes are charged by the Town Council.

Government transfers and other departments

The 34% below budgeted amounts is due to the suspension of capital projects and government support due to Covid19 and financial constraints respectively.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

Total revenue comment

At grand total level, the revenue forecast has a 7% variance which is acceptable.

Expenses

Accrual basis transactions – (non-cash items)

The Town Council did not budget for depreciation, allowance for doubtful debts, employee provisions, and bad debts as per past practices where such items were not budgeted for. Moving to IPSAS means the Town Council will include these items in future budgets.

Total expenses general comment

Excluding non-cash items, expenses are within the expected budget levels.

Unspent amounts

Unspent amounts total to N\$ 1 842 907 where the capital budget comprise 51% of budgeted but unpurchased plant and equipment, tools, open market, and air conditioners. Due to Covid19 restrictions, the Town Council could not execute its budget as originally planned. The remaining 49% of unspent amounts comprise of expense items which do not have an impact on the Town Council's service delivery objectives.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020**

1. Basis of preparation and significant accounting policies

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

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as 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 2022 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

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

Presentation currency and rounding

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

1.1 Changes in accounting policy

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

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

IPSAS 1: Presentation of financial statements

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

Further, the standard encourages the presentation of comparative figures, but does not make the presentation of comparative figures mandatory. The Town Council has opted not to present comparative figures in accordance with IPSAS 33, paragraph 77 but shall include in these financial statements non-IPSAS historical summaries in accordance with the previous accounting basis and disclose the nature of the main adjustments that would be required to comply with IPSAS where necessary.

Ruacana Town Council disclosures

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

IPSAS 2: Statement of cash flows

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

Ruacana Town Council disclosures

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

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

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

Ruacana Town Council disclosures

Changes to accounting policies shall be applied retrospectively by restating prior year opening balances and disclosed to notes as non-IPSAS reconciliations unless impracticable. Changes in accounting estimate shall be applied in the financial period of change and prospectively. All changes relating to IPSAS adoption shall be applied in the year of adoption and prospectively except for opening balances which will be restated for initial transition to IPSAS. Correction of material errors in the preparation of financial statements of one or more periods are corrected retrospectively by adjustments to Non-IPSAS historical summaries prepared in accordance with the previous accounting basis.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

IPSAS 14: Events after the reporting date

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

Ruacana Town Council disclosures

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

IPSAS 19: Provisions, contingent liabilities, and contingent assets

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

Ruacana Town Council disclosures

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

IPSAS 20: Related party disclosures

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

Ruacana Town Council disclosures

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

IPSAS 21: Impairment of non-cash generating assets

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

Ruacana Town Council disclosures

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

IPSAS 24: Presentation of budget information in financial statements

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

Ruacana Town Council disclosures

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

IPSAS 28, 29, and 30: Financial instruments: Presentation, Recognition, Measurement, and Disclosure

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

Ruacana Town Council disclosures

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

IPSAS 31: Intangible assets

As at adoption of International Public Sector Accounting Standards, the standard IPSAS 31 becomes applicable to all intangible assets held by Ruacana Town Council. This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard requires Ruacana Town Council to recognise an intangible asset if, and only if, specified criteria are met.

This standard further specifies how to measure the carrying amount of intangible assets and requires specific disclosures about intangible assets. The standard IPSAS 31 forms part of the regime of standards whose adoption affect fair presentation as per IPSAS 33, paragraph 33. The Town Council judges it can comply with this standard in full at adoption of accrual basis IPSAS (01 July 2019).

Ruacana Town Council disclosures

The Town Council shall disclose useful lives, amortisation methods, gross carrying amount if any, and any accumulated amortisation at the beginning and end of the period, line items of the statement of surplus or deficit in which amortisation of intangible assets is included, and a reconciliation of the carrying amount at the beginning and end of the period. The Town Council shall further disclose a movement table to note 3 of these financial statements showing changes in carrying amount and accumulated amortisation and details about impairment of intangible assets if any.

The Intangible asset disclosed to note 3 is owned by Ruacana Town Council under a licence agreement which requires payment of annual licence renewal fees. The intangible asset is not sellable, and neither is it transferable. It is the Town Council's policy as at adoption of accrual basis IPSAS not to amortise Finstel software over its useful life but to assess the software for impairment on an annual basis beginning with the year of adoption of accrual basis IPSAS.

Expense recognition

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

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

1.3 Transitional exemptions that affect fair presentation

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

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

1.4 IPSASs not adopted by Ruacana Town Council

The International Public Sector Accounting Standards listed below have not yet been adopted for the purposes of reporting financial information for the year ended 30 June 2020. Management shall apply any of the IPSAS where the Town Council's future transactions render it necessary to apply the provisions of the respective IPSAS

- IPSAS 4: The effects of changes in foreign exchange rates
- IPSAS 5: Borrowing costs
- IPSAS 10: Financial reporting in hyperinflationary times
- IPSAS 11: Construction contracts
- IPSAS 13: Leases
- IPSAS 16: Investment property
- IPSAS 26: Impairment of cash-generating assets
- IPSAS 27: Agriculture
- IPSAS 32: Service concession arrangements: Grantor
- IPSAS 34: Separate financial statements
- IPSAS 36: Investment in associates and joint ventures
- IPSAS 37: Joint arrangements

1.4 IPSASs not adopted by Ruacana Town Council continued

- IPSAS 38: Disclosure of interest in other entities
- IPSAS 40: Public sector combinations

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

Provisions, contingent liabilities, and contingent assets

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

Accounts receivables, loans, and other receivables

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

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

The Town Council makes an allowance for doubtful debts on 100% of outstanding accounts receivables that are 120 days past due. This includes accounts receivables that are in bankruptcy, as well as those that have applied for suspension of payments with the Town Council.

Allowance for slow moving, obsolete or damaged inventory items

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

Useful lives of items of property, plant, and equipment

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

1.6 Offsetting

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

1.7 Value added tax (VAT) on goods and services

Items in the financial statements are stated exclusive of value added tax, except for accounts receivables and accounts payables which are presented on a value added tax inclusive basis. Where value added tax is not recoverable, it forms part of the stated asset or expense.

1.8 Budget information

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

The approved budget is prepared on cash basis and covers the financial period beginning 01 July 2019 and ending 30 June 2020.

Comparative information for the budget shall not be made available in these financial statements. Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.8 Budget information (continued)

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

1.9 Going concern

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

Management judges that considerations for the potential implications of corona virus and the measures taken to control it when assessing the entity's ability to continue as a going concern are critical.

1.10 Revenue

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

1.10.1 Revenue from exchange transactions

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

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

Recognition

Rendering of services

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

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.10.1 Revenue from exchange transactions (continued)

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

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

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

Sale of goods

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

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

Measurement

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

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place.

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.10.2 Revenue from non-exchange transactions

The Town Council is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, for reporting periods beginning on a date within 3 years of first-time adoption of this standard. However, the Town Council opted for the application of transitional provisions to the extent necessary to achieve compliance with this IPSAS. Amounts collected by the Council as agent of the government or other third parties do not meet the definition of revenue.

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

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

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

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

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

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

Recognition

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

Recognition (continued)

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

1.11 Property plant and equipment

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

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

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

Recognition

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

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

Initial measurement

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

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

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

Initial measurement (continued)

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

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

The cost of an item of PPE includes costs incurred initially to acquire or construct an item of PPE and costs subsequently incurred to add to, and/or to replace part of the item of PPE.

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

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

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

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

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

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Beginning the year ending 30 June 2021, minor assets below N\$ 1000 will not be depreciated. They are expensed in the year of acquisition.

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

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

Initial measurement (continued)

PPE is determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item.

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

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

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

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

TYPE OF ASSET	DEPRECIATION METHOD	USEFUL LIFE
Land and Buildings	Straight line	(10 - 50)
Furniture, fixtures and fittings	Straight line	(3 - 5)
Computer & office equipment	Straight line	(3 - 8)
Plant and machinery	Straight line	(5 - 15)
Motor vehicles	Straight line	(4 - 8)
Infrastructure	Straight line	(15 - 50)

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

1.11.1 Site restoration and dismantling costs

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

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

1.11.1 Site restoration and dismantling costs (continued)

This accounting policy is attributable to the dumpsite under ownership and control of the Town Council. Measurements using the cost model:

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

1.12 Inventories

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

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

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

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

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

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

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Provisions are not recognised for future operating deficits

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

1.14 Employee benefits

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

- i. Short term employee benefits
- ii. Post-employment benefits
- iii. Other long-term employee benefits
- iv. Termination benefits

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

Short term employee benefits

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

Post-employment benefits

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

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

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

Other long-term employee benefits

These are employee benefits which do not wholly fall due within a year of the end of the period in which the employee renders the service.

Termination benefits

These are benefits paid as a result of the Town Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits.

The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised at the present value of the obligation.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Conditional grants and receipts

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

1.18 Debt forgiveness

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

1.19 Bequests

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

1.20 Gifts and donations

Gifts and donations including goods in kind that satisfy the definition of an asset are recognised as assets.

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

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

1.21 Fines

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

1.22 Investments

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

1.23 Transfers

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

1.24 Cash and cash equivalents

Cash and cash equivalents include all cash balances, deposits held at call at financial institutions, and short term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and reported under accounts receivables. Bank overdrafts are included in the short-term payables.

ANNEXURE G

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL PSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

2. Property, plant and equipment

	2020				2019			
	Cost N\$	Accumulated Depreciated N\$	Carrying Amount N\$	Cost N\$	Accumulated Depreciated N\$	Carrying Amount N\$	Carrying Amount N\$	
Land and buildings	9 921 605	1 941 388	7 980 217	9 744 672	1 551 294	8 193 373		
Computers & office equipment	547 046	404 299	142 746	507 384	357 565	149 818		
Furniture, fixture & fittings	786 386	461 516	324 870	786 386	394 239	392 147		
Motor Vehicles	1 319 636	1 183 259	136 377	4 990 004	4 342 391	647 613		
Plant, and Machinery	6 308 319	5 694 727	613 592	2 634 176	2 320 805	313 372		
Infrastructure	68 547 864	30 329 474	38 218 389	64 925 497	25 966 756	38 958 742		
Work in progress	247 200	-	247 200	-	-	-		
Balances as at 30 June 2020	87 678 056	40 014 663	47 663 391	83 588 119	34 933 050	48 655 065		

Work in progress

Work in progress relates to the establishment of extension 3 Ruacana. It is management judgment that the development of the area into housing and residential area is not yet in the manner and condition suitable for distribution, and / or allocation to potential purchasers (both for residential and business purposes) due to anticipated future continuity in capital development.

Property (Land size)

The total land owned by the Town Council as at the reporting date covers 111 938 149 square meters of which 387 271 square meters are occupied by Town Council buildings and form part of property, plant, and equipment disclosures to these financial statements. The remaining swath of land (111 550 878 square meters) is inclusive of Town Council infrastructure and main road into Oshifo and Ruacana which is under the control and ownership of the Ministry of Works, Transport, and Communication.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

Property (land size)

The total land owned by the Town Council as at the reporting date covers 111 938 149 square meters of which 387 271 square meters are occupied by Town Council buildings and form part of property, plant and equipment disclosures to these financial statements. The remaining swath of land (111 550 878 square meters) is inclusive of Town Council infrastructure and main road into Oshifo and Ruacana which is under the control and ownership of the Ministry of Works, Transport, and Communication. This swath of land has not been reported in these financial statements as determination of government land (owned through ministries), and total communal land privately owned and controlled by individuals (occupying the land earlier before proclamation of Ruacana Town Council) has not yet been established owing to the timing of adoption and implementation of accrual basis IPSAS.

The Town Council intends to establish the extent to which ownership by government directly or indirectly through ministries and by individual community members reduces the total land area it holds within the 3-year transitional period.

ANNEXURE G

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

Property, plant and equipment reconciliation – 2020

	Work in progress	Land and building	Computer and office equipment	Furniture and fittings	Motor vehicles	Plant and Machinery	Infra structure	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance 01 July 19	-	8 193 378	149 818	392 147	647 613	313 372	38 958 742	*48 655 070
Additions	247 200	176 933	39 662	-	-	3 774	3 622 366	4 089 935
Totals	247 200	8 370 311	189 480	392 147	647 613	317 146	42 581 108	52 745 005
Transfer	-	-	-	-	(456 686)	456 686	-	-
Totals	247 200	8 370 311	189 480	392 147	190 927	773 832	42 581 108	52 745 005
Depreciation	-	(390 094)	(46 734)	(67 277)	(54 551)	(160 240)	(4 362 719)	(5 081 614)
Closing balance 30 June 20	247 200	7 980 217	142 746	324 870	136 376	613 592	38 218 389	47 663 392

*Property, plant and equipment for 2019 were disclosed as Income assets and General capital assets, totalling to N\$ 81 560 108. This amount is adjusted in note 29.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)**

Property, plant and equipment (continued)

Items of property, plant and equipment fully depreciated and still in use	Number per class	Cost N\$
Computers & office equipment	32	298 614
Furniture, fixtures and fittings	14	113 620
Motor vehicles	3	3 779 879
Plant and machinery	16	4 821 148
Total	65	9 013 261

The Town Council owns and controls 65 items of property, plant and equipment that are fully depreciated and still in use.

3. Intangible assets

	Cost	Accumulated amortization	Carrying amount
	N\$	N\$	N\$
Finstel system	<u>21 957</u>	-	<u>21 957</u>

The Town Council policy prescribes non-amortization of intangibles and as a result, no movements were recorded during the financial year.

In relation to Impairment assessment of its intangible asset;

- There has not been a decline in performance by the Finstel system. However, the adoption and implementation of accrual basis IPSAS has resulted in the need to assess the performance of the system.
- There has not been a significant change in costs attributable to license fees which would result in the Town Council reviewing the need to continue using the accounting software.

In line with adoption of accrual basis IPSAS the Town Council intends to develop an annual assessment model for its intangible assets within the transitional period.

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2020
	N\$
4. Long-term receivables	2 799 140
Advance to buyers	3 125 813
Interest levied on loans	164 889
Payment by beneficiaries	(491 562)
Interest on Build Together loans	164 889
Interest levied	45 960
Interest on loan - phase 4	118 929
Payments on Build Together loans	491 562
Payments received	192 111
Payments received - phase 4	299 451

Long term receivables comprise of loan advances to Build Together beneficiaries for construction of residential housing units. Interest attributable to the loans ranges between 2% and 7% over varying periods of time with the maximum loan period being 20 years.

Loans outstanding as at the reporting date amount to N\$ 2 799 140. The outstanding balance comprise of long-term receivables (principal and interest components falling due more than 12 months after the reporting date) and short-term receivables (principal and interest components falling due within 12 months after the reporting date) requiring that the Town Council categories separately.

The non-current and current portions could not be determined due to unavailability of Build Together statistical data owing to the timing of adoption of IPSAS. The Town Council intends to classify the current and non-current portion of the loans when all the statistical data relating to the scheme has been sufficiently gathered during or within the 3 year transitional period.

	2020
	N\$
5. Inventories	14 472 910
Held in warehouse	122 512
Serviced plots (inventory)	14 350 398

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

5. Inventories (Serviced plots)

	Size	Price/sqm2	Value
	Sqm2	N\$	N\$
Business - Oshifo	38 454	98	3 768 492
Business - Ruacana	104 202	98	10 211 796
Other residential	5 694	65	370 110
Total reported under inventory	148 350		14 350 398

Ruacana Town Council had 148 350 square meters of serviced land in inventory as at 30 June 2020. All the plots were not occupied as at reporting date.

	2020 N\$
Impairment to inventory	71 419
Opening balance-inventory	113 068
Add purchases and supplies during the year	392 772
Less requisitions by departments during the year	(311 909)
Closing inventory value as at 30 June 2020	(122 512)
Departmental appropriations	311 908
Water department	163 260
Administration department	144 328
Town planning department	2 624
Health services department	1 696
Administration appropriations	144 328
Material and stores	25 340
Printing stationery	118 988
Closing inventory value-30 June 2020	122 512
Cleared from suspense account	1 847
Inventory value as per count-30 June 2020	120 665

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

5. Inventories (continued)

All inventory in the Town Council warehouse are realizable within one operating cycle as they are held for repairs and maintenance to the water, sewer, and electrical reticulation systems. The Town Council does not hold inventory for the purposes of trade, so all its inventory in warehouse is held at cost.

	2020	2019
	N\$	N\$
6. Accounts receivables	1 318 589	866 522
Unadjusted accounts receivables balance	17 421 704	13 554 235
Allowance for receivables as per policy 120 days+	(16 103 115)	(12 687 713)
Age analysis		
Current	233 167	113 014
30 days	969 418	805 729
60 days	704 570	756 207
90 days	751 194	440 351
120 days	668 425	504 393
120 days+	16 103 115	12 687 713
Adjustments-transaction	(2 371 397)	(2 250 734)
Accounts receivables	17 058 492	13 056 673
Customer advance payments-unearned revenue	363 213	497 562
Adjusted accounts receivables as at 30 June 2020	17 421 705	13 554 235

The economic entity uses a receivables management model that makes an allowance for doubtful debts that are 120 days past due but not impaired.

All accounts receivables have been included in the financial statements and all form valid claims against debtors.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)**

6. Accounts receivables (continued)

The Town Council expects all its accounts receivables to be collected exclusive of the prudent precaution represented as allowance (120 days+).

The Town Council's accounts receivables show the Town Council's maximum exposure to credit risk exclusive of consumer deposits held by the Town council to date

	<u>2020</u>
	N\$
Adjustment to allowance for receivables	3 978 970
Allowance for doubtful debts as per 120 days+ policy	12 687 713
Allowance as per prior year financial statements	(8 708 743)

The Town Council makes an allowance for doubtful debts that are 120 days+ past due. The allowance made as per the prior financial year has been adjusted to comply with Town Council's new policy on accounts receivables resulting in the movement of N\$ 3 978 970 being taken through accumulated surplus or deficit.

	<u>2020</u>
	N\$
Allowance for receivables: Movement	3 415 402
Allowance for receivables-2020	16 103 115
Allowance for receivables-2019	(12 687 713)

The movement in the allowance for doubtful debts during the financial year is an expense amounting to N\$ 3 415 402 representing an increase from the prior year allowance.

	<u>2020</u>
	N\$
7. Value added tax (VAT) receivable	400 511
Opening balance-01 July 2019	298 722
VAT refund	(582)
Receivable as at 30 June 2020	102 371
Value Added Tax receivable	102 371
Input VAT	1 009 770
VAT-stores	1 109
VAT from debtor levies	(908 508)

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

7. Value added tax receivable (continued)

The Town Council acts as a collection agent for value added tax and remits in accordance with the Ministry of Finance. Section 7 of the Value-Added Tax Act.

Value added tax becomes an obligation to the Receiver when the Town Council raises an invoice or receives payment (before issuing an invoice) and is declare to Receiver of Revenue whether cash has been received or not.

The Town Council had recovered value added tax as the reporting date.

8. Unrestricted cash and cash equivalents

Bank	Account name	Balance as at 30 June 2020 (N\$)
Bank Windhoek	Cheque account / operational	159 563
Bank Windhoek	Receipt account	1 056 386
Bank Windhoek	Call account	11 629
Standard Bank	Investment account	506 542
Bank Windhoek	Build Together disbursement	978
Bank Windhoek	Build Together call	13 503
TOTAL UNRESTRICTED CASH AND CASH EQUIVALENTS		1 748 601

Cash and cash equivalents presented under non-current assets (Build Together funds held as investments) in prior years has been presented under current assets.

Cash held with financial institutions (including call accounts) satisfy the definition of cash and cash equivalents. In consideration of Covid19, there were no circumstances triggering possible declines in value and restrictions on redemption of cash and cash equivalents.

All cash and cash equivalents are accessible within a period of less than 7 days on notice with financial institutions.

All the accounts meet the definition of cash and cash equivalents.

All the bank accounts belong to Ruacana Town Council.

There are no restrictions which appertain to the use of cash.

The Town Council does not have any financial liabilities requiring the pledging of cash as security.

The amounts held in the Town Council's bank accounts represent maximum risk to credit exposure.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

8. Unrestricted cash and cash equivalents (continued)

	Build Together disburse ment N\$	Build Together call N\$	Investment account N\$	Call account N\$	Receipt account N\$	Cheque account N\$	Total N\$
Opening balance 01 July 2019	935	13 190	-	6 589	7 998	227 885	256 597
Deposit	-	-	500 000	3 906 481	4 288 420	-	8 694 901
Interest earned	44	313	6 694	5 041	32 969	-	45 060
Withdrawals	-	-	-	(3 906 481)	-	-	(7 179 481)
Bank charges	-	-	(152)	-	-	-	(152)
Closing balance 30 June 2020	979	13 503	506 542	11 630	1 056 387	227 885	1 816 925

ANNEXURE G

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

9. Prepayments

Registration number	Licence expiry date	Year-end date	Prepaid duration	Licence fee (N\$)	Prepayment (N\$)
SCE993H	30/11/2019	30/06/2020	7	18 144	10 389
SCE989H	30/11/2019	30/06/2020	7	23 244	13 309
SFW561H	30/11/2019	30/06/2020	7	1 440	825
SHH279H	30/11/2019	30/06/2020	7	876	502
SBH234H	30/11/2019	30/06/2020	7	744	426
RVZ454H	30/11/2019	30/06/2020	7	-	-
RXP600H	30/11/2019	30/06/2020	7	1 440	825
SHH275H	30/11/2019	30/06/2020	7	708	405
RYF088H	30/11/2019	30/06/2020	7	744	426
RXB336H	30/11/2019	30/06/2020	7	1 440	825
RVW049H	30/11/2019	30/06/2020	7	42 012	24 055
SFW459H	30/11/2019	30/06/2020	7	42 012	24 055
RYB598H	30/11/2019	30/06/2020	7	876	502
Total				133 680	76 544

Prepayments relate to unexpired motor vehicle licenses at the end of the financial year. There were 13 combined items of motor plant, and equipment and vehicles with unexpired road licenses as at the end of the financial year.

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2020	2019
	N\$	N\$
10. Accounts payables	2 339 837	2 479 642
Namwater	1 801 817	2 001 932
Sundry creditors	538 020	477 710
Non-exchange transactions	285 503	162 144
Accrued Regional Council 5% levies-(2018 & 2019)	162 144	68 438
Regional Council 5% levy-2020	123 359	93 706

Accounts payables from non-exchange transactions comprise of commitments to Omusati Regional Council.

	2020	2019
	N\$	N\$
11. Accrued expenses	-	463 933
Receiver of Revenue-employee tax	-	104 923
Receiver of Revenue-employee tax	-	87 190
Medical aid	-	92 261
Pension fund	-	92 681
Salaries-(staff and casual workers)	-	86 878

Accrued expenses consist primarily of Receiver of Revenue and employee salaries and benefits outstanding as at the reporting date.

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)

	2020	2019	Movement
	N\$	N\$	N\$
12. Employee provisions	1 112 131	898 993	213 138
Leave provision	942 265	898 993	43 272
Bonus provision	169 866	-	169 866

Employee provisions forming a component of expenses comprise of the movement in the provisions during the financial year amounting to N\$ 213 138.

The bonus provision is a liability that unwinds on an annual basis.

	2020	2019
	N\$	N\$
13. Other creditors	1 506 564	1 775 511
Consumer deposit	507 864	393 334
Unearned revenue	363 213	497 562
Unknown deposit	438 649	547 985
Retention fees	126 501	-
Deposit heather-plot sales	70 337	336 630

14. Non-current liabilities

There were no long-term liabilities, or any other liabilities attached to assets as at the reporting date. The Town Council is in the process of establishing the decommissioning provision on the dumpsite to ensure liabilities relating to the dumpsite are recognised within the transitional period as per IPSAS 33.

With the adoption and implementation of IPSAS, there are responsibilities placed on management relating to the accurate measurement of assets and liabilities under the IPSAS framework.

Obligations qualifying as liabilities may therefore have been omitted and the Town Council aims to disclose them if any when new information demonstrating hidden commitments / obligations arises.

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)

	2020	2019
	N\$	N\$
15. Funds and accounts - Build Together	6 998 878	6 810 606
Opening balance	6 810 607	6 600 166
Interest levied on loans	164 889	184 188
Insurance billed	56 607	58 847
Interest on investments	357	987
Bond & Fire insurance paid	(33 582)	(33 582)

Repayments from participating borrowers resulted in an increase in the Build Together fund by N\$ 188 271. The fund is restricted primarily to the construction of houses within Ruacana urban area. The fund's resources are a financing arrangement by the government of Namibia as well as interest from fund borrowings.

The Town Council is in the process of developing relevant policies for its financial instruments to ensure compliance with presentation, measurement, and disclosure required under the newly adopted IPSAS framework.

Due to the absence of policies and guidelines for financial instruments in the prior accounting basis, there is a possibility that the fund's resources may be misstated.

	2020
	N\$
16. Rental income	1 637 879
Permission to occupy	1 325 654
Plant hire	177 840
Rental: house & buildings	118 048
Rental: house & buildings	8 837
Rental: municipal hall	7 500

The Town Council derives revenue from rental from different sources with the major contribution to revenue being permission to occupy. All rentals are billed in advance on a month-by-month basis.

TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)

17. Surcharge income

	Surcharge	Units	Amount (N\$)
31 July 2019	0.06	383 255	22 995
31 August 2019	0.06	401 137	24 068
30 September 2019	0.06	374 693	22 482
31 October 2019	0.06	456 704	27 372
30 November 2019	0.06	469 749	28 185
31 December 2019	0.06	397 984	23 879
31 January 2020	0.06	357 240	21 434
28 February 2020	0.06	351 222	21 073
31 March 2020	0.06	372 420	22 345
30 April 2020	0.06	371 584	22 295
31 May 2020	0.06	341 087	20 465
30 June 2020	0.06	372 523	22 351
		4 649 598	278 944

Surcharge income is derived from electricity sales within Ruacana urban area. In this arrangement, Ruacana Town Council earns a commission of 0.06 cents per every unit of electricity sold. During the financial year, 4 649 598 units were sold. Electricity sales comprise prepaid and post-paid electricity.

	<u>2020</u>
	N\$
18. Service charges	16 086 579
Refuse: basic	1 695 630
Water sales	5 097 245
Sewerage levies	1 659 512
Water: basic	1 835 766
Garden refuse	315 141
Erven sales	5 483 285

As at the reporting date, the Town Council had offered an exchange of equal value with respect to all categories of service charges set out above.

All charges are levied to consumers in terms of the gazetted rates

ANNEXURE G

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

	2020
	N\$
19. Interest received	1 372 386
Interest on bank account	45 060
Interest on outstanding account receivables	1 162 080
Interest on - Build Together bank account	357
Interest on loans	164 889
20. Other income	757 742
Administrative income	23 685
Advertising income	6 654
Bungalows & swimming pool	24 550
Duplicating services/faxes	2 628
Fire brigade service	33 990
Surcharges-queries	321 873
House sales	76 260
Informal sanitation program	21 860
Open market levy	6 975
Entrance fees sport	670
Building plan fees	58 135
Other income	29 555
Printing & stationery	2 624
Insurance-Build Together	56 607
Sewerage: new connection	22 514
Water: new connection	35 611
Reconnection fees	22 784
Inspection fees	10 767
21. Fees, fines and certificates	126 202
Clearance certificate	3 956
Fitness certificate	122 246

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

22. Property rates and taxes

Revenue from rates and taxes N\$ 3 246 599.

Property rates are assessed on improvements and property (land) owned by residents and businesses in Ruacana Town Council area in terms of Section 73 of the Local Authorities Act (Act No. 23 of 1992).

	<u>2020</u>
	NS
23. Transfer from government and other department	4 718 544
Road fund administration	662 063
Contribution: central government	3 402 531
Contribution: central government	503 950
OAG audit grant	150 000

Transfers amounting to N\$ 4 089 935 were spent on capital projects during the financial year.

The amount of N\$ 150 000 is an estimate of the audit fee which is a service in kind from the Office of the Auditor-General. The grant is conditioned towards the capacitation of Town Council employees working in the finance department in terms of financial reporting and internal audit functions.

There are no unspent amounts on all transfers for the year. The Road Fund allocation was spent on road maintenance.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

	2020
	N\$
24. Employee costs	7 864 119
Salaries, wages & allowances	4 138 648
Housing allowance & subsidy	1 050 318
Cell phone allowance	33 700
Medical aid contribution	948 372
Pension fund contribution	890 559
Overtime	15 197
Service bonus	294 492
Social security	22 752
Transport allowance	470 081

Employee costs recognised in the statement of surplus or deficit relate to salaries which are payable after an employee renders service.

Employee costs include pension falling due after completion of employment. Ruacana Town Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN).

Salaries, wages and allowances represent the largest expense category for Ruacana Town Council. However, salaries, wages and allowances are paid to Town Council employees in terms of gazette rates.

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FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

24. Employee costs (continued)

Name & surname	Position	Basic	Housing	Medical	Pension	Service	Social	Vehicle	Total
		Salary N\$	allowance N\$	Aid N\$	N\$	Bonus N\$	Security N\$	N\$	N\$
Emilia N. Nanyeni	CEO	371 732	148 693	58 338	80 666	30 978	972	102 701	794 080
Isai N. Hipudilo	Finance Manager	279 222	111 689	61 179	60 591	23 269	972	89 316	626 238
Shilumbu S. Ndeshipanda	Technical Manager	344 272	137 709	70 566	74 707	28 689	972	89 316	746 231

Remuneration of key management personnel responsible for the strategic direction of Ruacana Town Council has been set out above in line with the provision of IPSAS 20, related parties paragraph 21.

* All remuneration was paid in accordance with gazette salary scale.

There were no loans made to management during the financial year and other years prior.

There were no changes to key staff composition due to resignation or recruitment during the financial year.

* *Audit observation: The Council have two salary structures in place where by one was approved by the Council and other one approved by the line Ministry as unified salary structure.*

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FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
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(Continued)

	<u>2020</u>
	N\$
25. Water purchase	4 706 536
Water purchase	4 706 536

All water purchases to the Town Council are from Namwater. All water purchases to the Town Council are from Namwater. During the financial year, the entity purchased 232 659 liters of water amounting to N\$ 4 706 536.

26. Repairs and maintenance	2 365 099
Administration	57 682
Water reticulation	163 260
Pump station and refuse dump cleaning	84 569
Repairs and maintenance buildings	70 911
Fuel and oil	513 945
Recreation facilities repairs and maintenance	511 067
Recreation facilities repairs and expenditure	14 950
Vehicle maintenance	319 755
Road maintenance	628 960

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

	2020 N\$
27. General and Administration	3 277 408
Operational equipment hire	101 201
Membership fees: association	50 000
Advertising	14 938
Bank charges	211 817
Bursaries & study assistance	131 179
Casual labour	231 311
Consultation	2 250
Deeds registration	8 043
Dust bins	12 873
Electricity	814 591
E-mail	9 001
Licence fee/AE//GAMS	74 600
Workmen's compensation	21 688
Postage and stamps	137 575
Printing and stationery	116 363
Trade fair expenses	1 604
Material and stores	23 133
Civil education	25 000
Emergencies & disaster	5 300
Employee wellness programme	10 000
Entertainment official	42 825
First aid equipment	2 762
Legal fees	5 380
Motor vehicle licences	57 137
Protective clothing	13 926
Security fees	143 347
SME training	8 220
Sports & recreation	223 644
Telephone	93 492
Town planning & surveying-Beacons	26 126
Training & development	85 106
Travel & accommodation	249 342
Build Together-Bond/Fire insurance	33 582
Insurance	33 582

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

28. Bad debts

Bad debts (N\$ 126 650) are attributable to consumer billing on plots which were sold to private individuals who failed to pay for them as agreed. The plots were re-sold to other willing participants in an arm's length transaction.

2020

N\$

29. Capital outlay adjustments

Revenue contributions

34 858 496

Reversal of erven stock-2018

81 560 108

(46 701 612)

Erven stock taken to the statement of financial position comprised all properties (privately owned and Town Council owned) as per valuation roll. The amount of the reversal is the depreciated amount of N\$ 46 701 612.

House and erven stock

353 819

Office equipment and furniture-2019

(20 982)

Provision of Electricity-2019

(223 729)

Road Infrastructure-2019

(322 235)

Erven disposals-2019

920 765

Office equipment and furniture

20 981

Office equipment

14 651

Office furniture

6 330

The restatement to erven stock accounts for the prior year negative amount of N\$ 353 819.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

30. Adjustment to accumulated surplus or deficit

Allowance for doubtful debts

The adjustment of N\$ 3 978 970 is to bring the allowance in line with the newly adopted policy on receivables.

Depreciation on serviced plots

This is a restatement of accumulated surplus as a result of depreciation amounting to N\$ 2 506 441 charged on valuation roll plots.

Depreciation on dust bins

	2020 N\$
Total depreciation on dust bins	8 408
Depreciation on dustbins (2011 & 2012)	1 771
Depreciation on dustbins	6 637

This is a reversal of depreciation charged on items that do not qualify as property, plant, and equipment.

Proceeds from house disposal - Erf 205

Proceeds from disposal of Erf 205 amounting to N\$ 20 000 should have been accounted for in the prior financial year when the disposal occurred.

Audit fee – 2019

This is a provision which should have been made in the prior year for an audit fee estimated at N\$ 150 000 which is received in the form of audit services in-kind from the Office of the Auditor General.

Council buildings

Recognition of Ruacana Town Council buildings with a cost of N\$ 9 010 992.

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

Council property – land

Recognition of property occupied by the Town Council's buildings with a valuation of N\$ 733 680.

Erven inventory

Recognition of serviced plots as at the reporting date with a valuation of N\$ 14 471 063.

Regional Council 5% levy

	2020
	N\$
Adjustment	(20 148)
Restated Regional Council 5% levy	(162 144)
As reported in prior year financial statements	141 996
Depreciation on dust bins	8 408
Depreciation on dustbins (2011& 2012)	1 771
Depreciation on dustbins	6 637
Regional Council levy	(20 148)
As per prior year financial statements	141 996
Rested balance	(162 144)

31. Reconciliation of net cash flow from operating activities to surplus or deficit

31. 1 Adjustments for non-cash items	8 882 039
Depreciation	5 082 070
Impairment-inventories	71 420
Regional Council levy	123 359
Increase in allowance for doubtful debts	3 415 402
OAG provisional grant	(150 000)
Provision relating to employees	213 138
Bad debts	126 650

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

	2020
	N\$
Working capital changes:	
31. 2 Increase in Inventory	(9 444)
Opening inventory-2019	113 068
Closing inventory-2020	(122 512)
31. 3 Increase in accounts receivables	(4 365 031)
Accounts receivables before allow for doubtful debts-2019	13 056 673
Accounts receivables before allow for doubtful debts-2020	(17 421 704)
31. 4 Increase in VAT receivables	(101 788)
Value added tax receivable-2019	298 722
Value added tax receivable-2020	(400 510)
31. 5 Increase in accounts payables	609 629
Accounts payables balance-2019	(2 479 642)
Accounts payables balance-2020	3 089 271
31. 6 Adjusted opening accounts payables	2 479 642
Recorded as outstanding cheques	1 839 788
Trade creditors	439 130
Other creditors	38 580
Regional Council 5% levy	162 144
31. 7 Regional Council 5% levy	162 144
As reported in prior year financial statements	141 996
Adjustment	20 148

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FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE
(Continued)**

	2020
	N\$
Working capital changes (continued)	
31. 8 Adjusted opening accounts payables	3 089 272
Accounts payables: exchange transactions	2 339 837
Accounts payables: non-exchange transactions	285 503
Accrued expenses	463 932
31.9 Other creditors	263 639
Retention fee: 2020	126 501
Consumer deposits: 2019	(393 334)
Consumer deposits: 2020	507 864
Unearned revenue: 2019	(497 562)
Unearned revenue:2020	363 213
Unknown deposits: 2019	(547 985)
Unknown deposits: 2020	438 649
Deposits on plots balance: 2019	336 630
Deposits on plots balance: 2020	(70 337)

32. Related parties

Related parties arise where an individual is either a member of the governing body or is involved in the financial and operating decisions of Ruacana Town Council. This also extent to entities owned by key management personnel, Councilors, and close family members of such individuals, and other entities with significant influence on the reporting entity.

Related party transactions – loans

There were no loans advanced to top management, Councilors during the financial year.

Related parties – consumer cyclical billing**Management and Councilors**

All accounts for both management and Councilors were in good outstanding as at 30 June 2020 except for June billing which is effected on the 20th of every month.

**TOWN COUNCIL OF RUACANA
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE 2020
(Continued)**

32. Related parties (continued)

Entities with significant influence

No entities with significant influence hold accounts or any business interest with the Town Council except outstanding obligations to the Regional Council which is mandated to collect a 5% rates and taxes levy as reported in note 10 of these financial statements.

Related parties – interest in Town Council

Management and Councilors had no business or commercial interests in the Town Council for the financial year ended 30 June 2020.