



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OSHIKUKU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Published by authority

Price (Vat excluded) N\$ 65.00

Report no: 68/2023

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Oshikuku for the financial year ended 30 June 2021, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, June 2023

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE TOWN COUNCIL OF OSHIKUKU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Oshikuku for the financial year ended 30 June 2021. These financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow, and Notes to the Financial Statements for the year then ended, including a summary of significant accounting policies.

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

2. BASIS FOR ADVERSE 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 the audit report. I am independent of the entity in accordance with the code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to the audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion. An adverse audit opinion is being expressed due to the following:

2.1 FUND ACCOUNTS

2.1.1 Reconciliation of the capitalisation reserve fund at year end based on the information provided amounting to N\$ 15 360 022 does not agree to the financial statements balance amounting to N\$ 15 734 294 resulting in an unexplained difference of N\$ 374 272;

2.1.2 It was noted that the reserves accounts which were adjusted for in the 2020 financial year against the accumulated fund account amounting to N\$ 13 527 952 was recorded again as a separate line item on the financial statements which indicates double recording of the account balance; and

2.1.3 The adjustments on the capital reserve account for capital expenditure amounting to N\$ 2 190 802 was included also under property, plant and equipment as fixed assets additions and receipts of N\$ 530 959 from the line Ministry were recorded twice under capital reserve fund and income.

It is recommended that the Council should ensure that all accounts are reconciled to the management report and year end journals are passed on the system and financial statements are reconciled to the management account.

2.2 ACCUMULATED FUND

Supporting documents or schedules for the prior year adjustments amounting to N\$ 1 347 236 were not available for audit verification. Also noted is that the reconciliation for the accumulated fund account amounting to N\$ 44 169 344 does not agree to the financial statements balance amounting to N\$ 44 309 688 resulting in an unexplained difference of N\$ 140 344.

It is recommended that Council should ensure that adjustments to the accumulated fund account are supported by supporting documents and the financial statements balances must be reconciled accordingly.

2.3 ACCOUNTS PAYABLES

Listing for trade payables provided by management amounting to N\$ 2 047 723 does not agree to the financial statements balance amounting to N\$ 4 739 328 resulting in a difference of N\$ 2 691 605. Also noted is a difference of N\$ 444 330 between one of the supplier statements provided and the listing balance.

It is recommended that the Council should ensure that financial statement information is agreed to supporting documents and listing balances are reconciled to the supplier statements.

2.4 VALUE ADDED TAX

The value added tax (VAT) reconciliation performed based on the returns submitted, payments made and receipts amounting to N\$ 1 467 001 differs to the financial statements balance amounting to N\$ 1 926 958 resulting in an unexplained difference of N\$ 459 957.

It is recommended that the Council should reconcile VAT returns to financial statements and ensure that correct balances are captured on the financial statements.

2.5 INVESTMENTS

The equity investment by the Town Council in the Local Authorities Electricity Company (Pty) Ltd is recorded in the financial statements at N\$ 15 and the basis for valuation was not provided. The auditors were unable to test for impairment of the investment due to the unavailability of the financial statements of the investee.

It is recommended that the Council should ensure that impairment testing is done every year on all investments to ensure actual valuation of total assets at year end and the basis of valuation must be provided.

2.6 ACCOUNTS RECEIVABLES

Council was unable to provide supporting documents or schedules to verify the suspense account balance amounting to N\$ 9 985 385 per financial statements. Included in the debtors age analysis is an amount of N\$ 863 774 for the suspense account balance which is made up of direct deposits which were not cleared from previous years.

It is recommended that the Council should ensure that direct deposit accounts are reconciled to consumer accounts at year end to ensure that consumer accounts are regularly updated on payments made. Supporting documents and schedules for other receivables must be available for ease of access.

2.7 LOAN DEBTORS

Selection made for long term receivables amounting to N\$ 291 501 were not included on the listing for loan debtors provided by the Council. Also noted is that the loan debtors balance per financial statements were misstated by N\$ 36 087.

It is recommended that the Council should ensure that all build together loan debtors are captured on the system and the loans receivable listing at year end is agrees to the financial statements balance.

2.8 REVENUE

2.8.1 Sales of ervens listing provided by management amounting to N\$ 1 348 991 differs to the financial statements balance amounting to N\$ 618 459 resulting in a difference of N\$ 730 532. Also noted is that the Council records part payments received from purchasers as sale of erven instead of recognising the sale when the risks and rewards have been transferred to the buyer; and

2.8.2 The recomputed surcharge income based on the confirmation letters received for the year amounting to N\$ 406 982 differs to the financial statements balance of N\$ 473 904 resulting in a difference of N\$ 66 922.

It is recommended that the Council should ensure that there is a clear policy on sales of ervens recognition and that sales of ervens recorded by the property department are reconciled to the finance department information. Surcharge income must be reconciled to confirmation letters received from Nored. It is further recommended that Council must ensure that the part payments received from purchasers are recognised as sales when the risks and rewards have been transferred to the buyer.

2.9 IPSAS 23 DONATIONS IN GOOD KIND

The Council did not disclose revenue from non-exchange transaction donations in good kind for exemptions on audit fees in compliance with IPSAS 23 Par 95 which states that gifts and donations are recognized as asset or revenue when it is probable that future economic benefits or services will flow to the entity and can be measured reliably.

It is recommended that the Council should ensure that full disclosure is done on the financial statements based on the reporting framework adopted.

2.10 IPSAS 23 OPEN LANDS

The Council did not disclose its open lands in the fixed asset register. IPSAS 23, paragraph 97 “On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment.”

It is recommended that the Council should ensure that full disclosure is done on the financial statements based on the reporting framework adopted.

2.11 IPSAS 19 PROVISIONS, CONTIGENT LIABILITIES AND CONTIGENT ASSETS

A provision shall be recognised when; (a) an entity has a present obligation as a result of past event, (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. It was observed that the Council did not disclose provision for leave days for the financial year under review as required under IPSAS 19, Par 22

It is recommended that the Council should ensure that leave provisions is disclosed in the financial statements in compliance with IPSAS 19.

2.12 IPSAS 24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The Council did not present the statement of comparison of budgets and actual amounts as required by IPSAS 24, paragraph 14 which states that "Subject to the requirements of paragraph 21, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSASs".

It is recommended that the Council should ensure that all the requirements of IPSAS are adhered to when the financial statements are prepared.

2.13 FRUITLESS CONSULTATION EXPENDITURE

The Council incurred N\$ 50 322 for external consultation expenditure for the preparation of financial statements, however the cost benefit of this expenditure did not meet the desired quality output raising concern of competency in this regard.

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

2.14 FINANCIAL STATEMENTS

2.14.1 The revenue balance per management report provided by management amounting to N\$ 20 177 187 does not agree to the financial statements balance amounting to N\$ 23 945 009 resulting in a difference of N\$ 3 767 822;

2.14.2 The total expenditure balance per management report provided by management amounting to N\$ 17 264 573 does not agree to the financial statements balance amounting to N\$ 28 676 826 resulting in an unexplained difference of N\$ 11 412 253;

2.14.3 The statement of changes in net assets accumulated surplus balance as at 30 June 2020 amounting to N\$ 49 041 505 does not agree to the statement of financial position balance amounting to N\$ 48 997 962 resulting in an unexplained difference of N\$ 43 543. There is a difference of N\$ 1 390 779 between the recomputed opening accumulated surplus and the financial statement balance of N\$ 50 388 741. There were further no adjustments showing how the opening balance as previously reported on the statement of changes in net assets was arrived at. The property, plant and equipment note for 2020 is not reconciling; and

2.14.4 The movement on the statement of cash flow for the prior year for trade payables recomputed amounting to N\$ 2 674 211 does not agree to the financial statements balance of N\$ 1 911 437 resulting in difference of N\$ 762 774.

It is recommended that the Council should ensure that information presented on the financial statements is reconciled to the notes and management report. All castings must be agreed to supporting schedules or documents.

2.15 BANK AND CASH

2.15.1 The unfavourable Cash book balance recorded on the bank reconciliation amounting to N\$ 2 633 443 does not agree to the financial statements balance amounting to N\$ 649 647 resulting in a difference of N\$ 3 283 090. Also noted is that the interest on investment amounting to N\$ 47 352 was omitted from the financial statements; and

2.15.2 The total of other accounts held by the Council amounting to N\$ 4 143 773 does not agree to the financial statements balance amounting to N\$ 6 087 245 resulting in a difference of N\$ 1 943 472.

It is recommended that the Council should ensure that bank balances are reconciled to the system balances and any adjustments provided must be supported by documents or schedules. The bank reconciliation balance at year end must be adjusted for on the system.

2.16 STATEMENT OF CASHFLOW

2.16.1 The auditors noted that the statement of cash flows is misstated with a balance of N\$ 2 143 151 recorded as net unidentified movements, indicating a potential overall material misstatement of the financial statements.

It is recommended that the Council implement stronger internal controls over the preparation of the statement of cash flows to prevent similar issues from occurring in the future.

2.17 EXPENDITURE

2.17.1 Subsidy payment of arrears amounting to N\$ 500 000 was erroneously recorded as an expense when it was supposed to be captured against the trade payables reducing the liabilities balance at year end;

2.17.2 Supporting documents for the electricity department amounting to N\$ 592 907 does not agree to the general ledger balance amounting to N\$ 497 776 resulting in a difference of N\$ 95 131;

2.17.3 Included in the plan and formalisation account is an amount of N\$ 124 624 which was erroneously captured also under the compensation subsidy expense on the supporting documents provided; and

2.17.4 Water bulk purchases invoices received amounting to N\$ 2 616 443 does not agree to the general ledger balance amounting to N\$ 2 810 030 resulting in a difference of N\$ 193 587.

It is recommended that the Council should ensure that expenditure accounts are captured based on the invoices from suppliers and not payments made, and double captured information is reversed and adjusted for accordingly.

2.18 PROPERTY, PLANT AND EQUIPMENT

2.18.1 The financial statements balance for property, plant and equipment amounting to N\$ 49 030 967 does not agree to the fixed asset register balance amounting to N\$ 53 833 795 resulting in a difference of N\$ 4 802 828; and

2.18.2 Supporting documents for fixed assets additions for electricity reticulation amounting to N\$ 3 386 911 does not agree to the general ledger balance of N\$ 2 460 966 resulting in a difference N\$ 925 945.

It is recommended that the Council should ensure that financial statement information is reconciled to the asset register and information captured on additions must be based on invoices received not payments made.

3. OTHER INFORMATION

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

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

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

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

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

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

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

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

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

- 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; and
- 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.

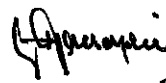
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation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

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authority Act, (Act No. 23 of 1992) except that they were only submitted to the Auditor-General on 01 December 2022 instead of three months after the financial year-end.

7. ACKNOWLEDGEMENT

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



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, June 2023

ANNEXURE A

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

		2020		
		2021	Restated	2020
	Note	N\$	N\$	N\$
ASSETS				
Current assets				
Cash and cash equivalents	9	6 737 213	3 992 873	325
VAT receivable		1 926 958	1 003 751	-
Receivable from exchange transactions	10	10 866 410	2 246 972	3 541 469
Inventories		208 501	210 794	210 794
		19 739 082	7 454 390	3 752 588
Non-current assets				
Property, plant, and equipment	12	49 030 967	51 744 645	51 744 645
Other financial assets	11	15	15	4 048 707
Long term receivables from exchange transactions		290 747	290 747	-
		49 321 729	52 035 407	55 793 352
TOTAL ASSETS		69 060 811	59 489 797	59 545 940
NET ASSETS AND LIABILITIES				
Current liabilities				
Bank overdraft	9	-	1 640 009	1 640 009
Payables under exchange transactions	13	5 312 511	5 348 198	4 351 360
Consumer deposits		575 625	502 305	502 305
Provision for regional Council		250 649	196 847	-
		6 138 785	7 687 359	6 493 674
Reserves				
Other reserves – Build together		2 878 044	2 804 476	-
Capitalisation reserve		15 734 294	-	-
Fund accounts		-	-	16 331 821
Accumulated surplus		44 309 688	48 997 962	36 720 445
		62 922 026	51 802 438	53 052 266
TOTAL RESERVES AND LIABILITIES		69 060 811	59 489 797	59 545 940

ANNEXURE B

THE TOWN COUNCIL OF OSHIKUKU

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2020		
		2021 N\$	Restated N\$	2020 N\$
Revenue	2	23 945 009	21 142 857	22 532 139
Revenue from non - exchange transactions		9 959 164	6 452 027	12 959 425
Taxation revenue				
Property rates		4 802 975	4 501 000	4 501 000
Transfer revenue				
Transfers from government entities	3	1 356 347	1 951 027	5 786 371
Other transfer reserves		3 799 842	-	-
Permission to Occupy (P.T.O)		-	-	76 769
Fees and fines – penalties		-	-	1 530 810
Road Fund Administration (RFA) Subsidy		-	-	951 027
Other		-	-	113 448
Revenue from exchange transactions		13 985 845	14 690 830	9 572 714
Service charged	4	7 845 426	10 231 901	-
Rendering of services		805 747	1 324 822	-
Rental of facilities and equipment		592 150	60 662	-
Licences and permits		38 469	11 915	-
Rental income		106 044	87 287	10 779
Other income – other fees		1 525 151	1 393 707	-
Other income	5	779 894	84 254	514 485
Interest received - investment	6	2 292 964	1 496 282	49 725
Water services		-	-	4 804 005
Electricity services		-	-	422 401
Cleansing services		-	-	1 389 024
Sewerage		-	-	1 430 215
Sales of ervens		-	-	952 080
Expenses	*	28 676 826	25 075 057	26 464 341
Bulk purchases		2 810 030	2 228 708	-
Employee costs	7	8 956 175	7 364 041	7 735 428
Remuneration of Councillors		483 092	483 092	-
Depreciation and amortisation expense		8 063 474	7 003 000	7 003 000
Repairs and maintenance		798 471	1 155 170	1 229 337
Debt impairment		2 643 371	2 861 922	-
General expenses	8	4 922 213	3 966 976	7 130 537
Interest paid		-	12 148	-
Non-cash items		-	-	10 369 039
Deficit for the year		(4 731 817)	(3 932 200)	(3 932 202)

*Total expenses have been overstated, please refer to finding 2.14.2

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

	Build together fund	Capitalisati on reserve	Accumulat ed fund	Total net assets/equity
	N\$	N\$	N\$	N\$
Balance as at 01 July 2019	2 733 845	-	52 930 162	55 664 007
Deficit for the year	-	-	(3 932 200)	(3 932 200)
Direct adjustment to Build Together	70 631	-	-	70 631
Total changes *	2 804 476	-	50 388 741	53 193 217
Prior year adjustments	-	-	(1 347 236)	(1 347 236)
Balance as at 01 July 2020	2 804 476	-	49 041 505	51 845 981
Deficit for the year	-	-	(4 731 817)	(4 731 817)
Movement in build together	73 568	-	-	73 568
Movement in funds	-	15 734 294	-	15 734 294
Balance as at 30 June 2021	2 878 044	15 734 294	44 309 688	62 922 026

**The opening balances are not arithmetically correct please refer to 2.14.3*

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

	Note	2020		
		2021	Restated	2020
		N\$	N\$	N\$
Cash flow from operating activities				
Deficit		(4 731 817)	(3 932 200)	(3 932 202)
Adjustments for:				
Appropriation account		-	-	21 772
Depreciation and amortisation expense		8 063 474	7 003 000	-
Debt impairment		2 643 371	2 861 922	-
Changes in working capital:				
Inventories		2 293	(5 213)	5 213
Receivables from exchange transactions		(8 619 438)	(1 982 826)	-
Consumer debtors		(2 643 371)	(2 861 922)	(2 674 080)
Payables under exchange transactions		(35 693)	1 911 437	1 617 373
Value added tax		(923 207)	(717 328)	-
Taxes and transfers payable		53 802	196 847	-
Consumer deposits		73 320	57 554	-
Net Cashflows from operating activities		(6 117 266)	2 531 271	4 400 659
Cashflows from investing activities				
Purchase of property, plant, and equipment	12	(4 705 153)	(4 262 139)	(2 740 861)
Proceeds from sale of long-term receivables		-	26 074	-
Net unidentified movements	*	2 143 151	-	-
Direct charge to build together		-	48 857	-
Cashflow from financing activities		13 067 617	-	(574 141)
Movement in capital outflow		23 049 002	-	-
Other non-cash item movement		(9 985 385)	-	-
Increase in funds		-	-	(574 141)
Net increase / (decrease) in cash and cash equivalents		4 384 349	(1 655 937)	1 085 656
Cash and cash equivalents at the beginning of the year		2 352 864	4 008 801	4 603 384
Cash and cash equivalents at the end of the year	9	6 737 213	2 352 864	5 689 041

**The statement of cash flows is misstated and not in balance, please refer to finding 2.16*

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), issued by the Public Sector Accounting Standards Board in accordance with the Local Authorities Act 23 of 1992.

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

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

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

The financial statements have been prepared in accordance with accrual basis International Public Sector Accounting

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

Transitional arrangements

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 2019. The Town Council intends to recognize and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2023 or an earlier period where the relevant items are recognized and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that the Town Council discloses progress made towards recognizing, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The Council has made minimum progress towards such compliance; however, management shall relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

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

The Town Council chose to utilize the following transitional exemptions that do affect the fair presentation of the financial statements.

IPSAS 5 Borrowing Costs

IPSAS 12 Inventories

IPSAS 16 Investment Property

IPSAS 17 Property, Plant and Equipment

IPSAS 19 Provision, Contingent liabilities and Contingent Assets

IPSAS 20 Related Party Disclosure

IPSAS 30 Financial Instruments

IPSAS 31 Intangible Assets

IPSAS 32 Services Concession Arrangements: Grantor

IPSAS 35 Consolidated Financial Statements

IPSAS 36 Investments in Associates and Joint Ventures

Transitional exemptions utilized that do not affect fair presentation of financial statements.

IPSAS 13 Leases

IPSAS 21 Impairment for Non-cash Generating Assets

IPSAS 26 Impairment of Cash Generating Assets

IPSAS 29 Financial Instruments: Recognition and Measurement

IPSAS 37 Joint Arrangement

IPSASs to be adopted in full during 2021/2022 financial year:

IPSAS 1 Presentation of Financial Statements

IPSAS 2 Cash Flow Statements

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors

IPSAS 9 Revenue from Exchange Transaction

IPSAS 14 Events after Reporting Date

IPSAS 22 Disclosure of information about the General Government Sectors

IPSAS 24 Presentation of Budget Information in the Financial Statement

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

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

These accounting policies are consistent with the previous period.

1.1. Significant judgements and sources of estimation uncertainty

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

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

1.2. Revenue from non-exchange transactions

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

Taxes

The entity recognizes an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur, and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognized, the entity recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognized as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

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

Gifts and donations, including goods in-kind.

Gifts and donations, including goods in kind, are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

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

Services in-kind

Services in-kind are not recognized.

Services in-kind are recognized as revenue and as assets.

1.3.Revenue from exchange transactions

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

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied.

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized 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 the economic benefits or service potential associated with the transaction will flow to the entity,
- the stage of completion of the transaction at the reporting date can be measured reliably, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1.4. Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognized as an asset when.

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

Property, plant and equipment is initially measured at cost.

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant, and equipment, where the entity is obligated to incur such expenditure and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Property, plant, and equipment is carried at cost less accumulated depreciation and any impairment loss.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

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

1.5. Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

1.6. Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

1.7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognized financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- It is settled at a future date.

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

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of IPSAS on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash,
- a residual interest of another entity; or
- a contractual right to
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to.

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitized capital,
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution, or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortized cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives,
- combined instruments that are designated at fair value,
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking,
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortized cost or financial instruments at cost.

Classification

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

Type of Financial Asset	Classification in terms of IPSAS 41
Receivable from exchange transactions	Financial asset measured at amortized cost
Receivables from non - exchange transactions	Financial asset measured at amortized cost
Prepayment	Financial asset measured at amortized cost
Cash and cash equivalents	Financial asset measured at amortized cost

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

Type of Financial Liability	Classification in terms of IPSAS 41
Payables under exchange transactions	Financial liability measured at amortized cost
Payables under non-exchange transactions	Financial liability measured at amortized cost
Other financial liability	Financial liability measured at fair value

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

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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

Derecognition

Financial assets

The entity derecognizes financial assets using trade date accounting.

The entity derecognizes a financial asset only when.

- the contractual rights to the cash flows from the financial asset expire, are settled or waived,
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognize the asset; and
 - recognize separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and derecognized is recognized in surplus or deficit in the period of the transfer.

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognized at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognize the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognized. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized is recognized in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received. In subsequent periods, the entity recognizes any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognized. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognized a new financial liability.

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8. Inventories

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

1.9. Provisions and contingencies

Decommissioning, restoration, and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows.

1.10. Borrowing costs

1.11. Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favorable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its entity.

1.12. Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables.

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Useful lives of waste and water network and other assets The An's management determines the estimated useful lives and related depreciation charges for the wastewater and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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

1.13. Going concern assumption

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

1.14. Internal reserves

Capitalization reserve

On the implementation of IPSAS, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, were transferred to a Capitalization Reserve rather than the accumulated surplus/deficit, as in prior years. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020 Restated	2020
	N\$	N\$	N\$
2. REVENUE	23 945 009	21 142 857	22 532 139
Rendering of services	805 747	1 324 822	-
Service charged	7 845 426	10 231 901	-
Rental of facilities and equipment	592 150	60 662	-
Licenses and permits	38 469	11 915	-
Rental income	106 044	87 287	10 779
Other income 1	1 525 151	1 393 707	514 485
Other income (rollup)	779 894	84 254	-
Interest received investments	2 292 964	1 496 282	49 725
Property rates	4 802 975	4 501 000	4 501 000
Transfer from other government entities	1 356 347	1 951 027	5 786 371
GRN Capital development funds received	3 799 842	-	-
Water services	-	-	4 804 005
Electricity services	-	-	422 401
Cleansing services	-	-	1 389 024
Sewerage	-	-	1 430 215
Sales of ervens	-	-	952 080
PTO	-	-	76 769
Fees and fines – penalties	-	-	1 530 810
RFA subsidy	-	-	951 027
Other	-	-	113 448

The amount included in revenue arising from exchange of goods or services are as follows:

	13 985 845	14 690 830	9 572 714
Service charges	7 845 426	10 231 901	-
Rendering of services	805 747	1 324 822	-
Rental of facilities and equipment	592 150	60 662	-
Licenses and permits	38 469	11 915	-
Rental income	106 044	87 287	10 779
Other income 1	1 525 151	1 393 707	-
Other income (rollup)	779 894	84 254	514 485
Interest received investments	2 292 964	1 496 282	49 725
Water services	-	-	4 804 005
Electricity services	-	-	422 401
Cleansing services	-	-	1 389 024
Sewerage	-	-	1 430 215
Sales of ervens	-	-	952 080

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020 Restated	2020
	N\$	N\$	N\$
REVENUE (continued)			
The amounts included in revenue arising from non-exchange transactions are as follows:	9 959 164	6 452 027	12 959 425
Taxation revenue			
Property rates	4 802 975	4 501 000	4 501 000
Transfer revenue			
Transfer from other government entities	1 356 347	1 951 027	5 786 371
GRN Capital development funds received	3 799 842	-	
PTO	-	-	76 769
Fees and fines – penalties	-	-	1 530 810
RFA subsidy	-	-	951 027
Other	-	-	113 448
3. TRANSFER FROM OTHER GOVERNMENT ENTITIES	1 356 347	1 951 027	5 786 371
Government grant - compensation sub arrear	856 347	951 027	5 786 371
Government grant - compensation 2021	500 000	1 000 000	-
4. SERVICE CHARGES	7 845 426	10 231 901	-
Sale of electricity	521 817	421 220	-
Sale of water	5 258 745	4 504 333	-
Sewerage and sanitation charges	2 064 864	5 306 348	-
5. OTHER INCOME	779 894	84 254	514 485
Other income	701 530	1 555	514 485
Other fees income	78 364	82 699	-
6. INTEREST RECEIVED – INVESTMENT	2 292 964	1 496 282	49 725
Bank	-	49 725	49 725
Interest charged on trade and other receivables	2 292 964	1 446 557	-
7. EMPLOYEE RELATED COSTS	8 956 175	7 364 041	7 735 428
Basic	4 220 489	3 851 786	3 826 036
Bonus	330 289	300 440	300 440
Medical aid – company contributions	680 013	643 700	643 700
Pension fund contributions	900 705	807 085	807 085
Social security contribution	21 681	20 796	20 796
Workmen compensation contribution	23 565	23 120	23 120
Accrued leave expense	223 031	504 117	-
Leave gratuity	67 272	-	-
Overtime payments	81 427	124 057	122 807
Housing benefits and allowances	1 273 502	1 088 940	1 088 939

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020 Restated	2020
	N\$	N\$	N\$
EMPLOYEE RELATED COSTS (Continued)			
Cell phone allowance	61 018	-	51 600
Other employee costs	573 183	-	850 905
Subsidy payment arrear	500 000	-	-
REMUNERATION OF CHIEF EXECUTIVE OFFICER			
	652 669	652 669	-
Annual remuneration	384 768	384 768	-
Car allowance	102 701	102 701	-
13 th cheque	32 064	32 064	-
Contribution to medical aid	35 241	35 241	-
Other allowances	14 400	14 400	-
Pension fund	83 495	83 495	-
REMUNERATION OF HEADS OF DEPARTMENT			
	1 003 749	1 003 749	-
Annual remuneration	584 745	584 745	-
Car allowance	178 632	178 632	-
13 th cheque	48 729	48 729	-
Contribution to medical aid	45 553	45 553	-
Other allowances	19 200	19 200	-
Pension fund	126 890	126 890	-
8. GENERAL EXPENSES			
	4 922 213	3 966 976	7 130 537
Advertising	104 353	71 712	71 712
Auction	-	-	6 320
Animal research phase 2	-	-	205 278
Bank charges	241 735	242 861	242 861
Bulk purchases	-	-	2 178 000
Build together program	-	-	358 572
CEO entertainment	-	-	5 000
Cleaning materials	-	-	9 942
Cleaning	432 205	(874 527)	469 683
Computer expenses	106 968	121 556	-
Compensation	-	-	561 990
Consulting and professional fees	91 307	17 933	-
Consumables	99 129	-	-
Courier services	-	-	20 466
Debt collection	98 062	-	-
Dust bins	-	-	34 872
Entertainment	24 820	34 334	9 334
Environmental contribution	-	-	5 750

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020 Restated	2020
	N\$	N\$	N\$
GENERAL EXPENSES (continued)			
Finstel, it support services	-	-	30 036
Hire	-	(261)	-
Insurance	166 080	160 932	160 932
Internet and email	-	-	56 268
Internship	-	-	4 500
Conferences and seminars	4 500	4 500	-
Incorporation costs	1 452	-	-
Interest	-	-	12 148
Marketing	39 130	-	-
Promotions and sponsorships	66 126	32 410	32 410
Levies	223 637	223 817	223 817
Legal costs	-	-	17 933
License: vehicles	-	-	3 624
License fees	-	-	91 520
Malaria spraying campaign	-	-	4 000
Mayor entertainment	-	-	10 000
Medical expenses	1 560	-	-
Motor vehicle expenses	38 653	77 790	-
Planning and formalisation	-	-	201 246
Pest control	197 817	203 467	203 467
Fuel and oil	50 726	21 674	21 674
Postage and courier	107 642	69 398	48 932
Printing and stationary	120 770	109 808	70 257
Protective clothing	44 756	23 282	3 000
PPC and materials	-	-	20 282
Rental: photocopy	-	-	39 551
Rental: car and equipment	-	-	50 708
Research and development costs	317 507	201 247	-
Refunds	-	-	6 057
Security	367 304	463 056	463 056
Subscriptions and membership fees	98 700	69 043	69 043
Telephone and fax	110 214	150 997	43 109
Training	22 400	60 008	60 008
Travel – local	494 153	548 999	208 186
Title deeds search fees	6 144	-	-
Electricity	538 136	755 920	755 920
Natural disaster management expenses	13 150	24 073	24 073
Veterinary department	-	209 278	-
Wellness program	-	-	5 000
Yearend function	-	-	10 000
Other expenses	693 077	943 689	-

THE TOWN COUNCIL OF OSHIKUKU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020	2020
	N\$	Restated N\$	N\$
9. CASH AND CAS EQUIVALENTS	6 737 213	2 352 864	(1 639 684)
Cash on hand	325	325	325
Bank balances	1 733 810	1 084 163	-
Short-term deposits	5 003 078	2 908 385	-
Bank overdraft	-	(1 640 009)	(1 640 009)
Current assets	6 737 213	3 992 873	-
Current liabilities	-	(1 640 009)	-
10. RECEIVABLES FROM EXCHANGE TRANSACTIONS	10 866 410	2 246 972	3 541 469
Trade debtors	729 442	2 177 744	17 093 450
Build together debtors	-	-	290 747
Vat control	-	-	1 003 751
Employee costs in advance	1 085	-	-
Bank and cash shortages	1 400	1 400	1 400
Suspense account balance	9 985 385	-	-
Nored surcharges	149 098	67 828	67 827
Provision for bad debts	-	-	(14 915 706)
11. OTHER FINANCIAL ASSETS			
RESIDUAL INTEREST AT COST	15	15	4 048 707
Commercial banks	-	-	4 048 692
Nored equity investment	15	15	15
NON-CURRENT ASSETS	15	15	-
Residual interest at cost	15	15	-

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

12. PROPERTY, PLANT AND EQUIPMENT RECONCILIATION 2021

	2021		2020			
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	N\$ 7 558 316	N\$ (3 556 051)	N\$ 4 002 265	N\$ 7 552 087	N\$ (3 151 179)	N\$ 4 400 908
Plant and machinery	1 397 680	913 309	2 310 989	1 397 680	(868 968)	528 712
Furniture and fixtures	592 025	(540 416)	51 609	587 801	(509 907)	77 894
Motor vehicles	3 115 472	(2 943 763)	171 709	3 263 723	(2 783 723)	480 000
IT equipment	403 279	(324 041)	79 238	380 346	(308 956)	71 390
Infrastructure	91 709 921	(49 294 764)	42 415 157	87 058 154	(40 872 413)	46 185 741
	104 776 693	(55 745 726)	49 030 967	100 239 791	(48 495 146)	51 744 645

PROPERTY, PLANT AND EQUIPMENT RECONCILIATION 2021

	Opening balance	Other changes	Net Book Value
	N\$	N\$	N\$
Buildings	4 400 908	-	4 002 265
Plant and machinery	528 712	1 833 428	2 310 989
Furniture and fixtures	77 894	(15 770)	51 609
Motor vehicles	480 000	(68 291)	171 709
IT equipment	71 390	23 994	79 238
Infrastructure	46 185 741	(1 127 234)	42 415 157
	51 744 645	646 127	49 030 967

ANNEXURE E

**THE TOWN COUNCIL OF OSHIKUKU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
PROPERTY, PLANT AND EQUIPMENT RECONCILIATION 2020 (CONTINUED)**

	Opening balance	Additions	Other changes movements	Depreciation	Net Book Value
	N\$	N\$	N\$	N\$	N\$
Buildings	4 813 741	-	-	(412 833)	4 400 908
Plant and machinery	518 574	128 433	(169 446)	(51 151)	528 712
Furniture and fixtures	93 775	-	-	(15 881)	77 894
Motor vehicles	762 331	-	-	(282 331)	480 000
IT equipment	35 392	-	63 594	(27 596)	71 390
Infrastructure	48 261 693	4 133 706	1 099 687	(7 309 345)	46 185 741
	54 485 506	4 262 139	993 835	(7 996 835)	51 744 645

	2021	2020 Restated	2020
	N\$	N\$	N\$
13. PAYABLES UNDER EXCHANGE TRANSACTIONS	5 312 511	5 348 198	4 853 665
Trade payables	4 739 328	4 107 870	1 071 037
Payments received in advanced -- contract in process	-	1 239 328	1 239 328
Sundry payables	-	-	1 289 633
Other payables	573 183	-	494 515
Regional Council provision	-	-	196 847
Consumer deposits	-	-	502 305
Provisions	-	-	60 000
Other creditors	-	1 000	-

14. EVENTS AFTER THE REPORTING DATE

Management is not aware of events that took place between the year-end date and the date of these annual financial statements that may have a material impact on the financial statements.

