## 1. GENERAL INFORMATION

The District Council of Flacq is a corporate body established under the Local Government Act 2011, Part II Section 3 and 7. The place of management is at The District Council of Flacq, Plaine de Gersigny, Central Flacq.

The Council's principal activities are the provision of sound public infrastructure and its maintenance, household waste collection, fees for classified trades, issuing of development permit and the promotion of sport, leisure and welfare activities.

### Basis of Preparation and Statement of Compliance

The financial statements of the District Council of Flacq have been prepared in compliance with Section 133 of the Local Government Act 2011 and the accrual basis International Public Sector Accounting Standards (IPSAS), except for IPSAS 17 – Property, Plant and Equipment. The financial statements have taken into consideration provisions under IPSAS 33 - First-time Adoption of Accrual Basis IPSASs. IPSAS 33 allows a first-time adopter a period of up to three years to recognize and/or measure certain assets and/or liabilities.

In its transition to accrual basis IPSASs, The District Council took advantage of this transitional exemption for property, plant and equipment. As a result, it is unable to make and explicit an unreserved statement of compliance with accrual basis IPSASs in preparing its transitional IPSAS financial statements for this reporting period.

The Financial statements are presented in Mauritian Rupees and all values are rounded to the nearest rupee. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared under the historical cost convention, unless stated otherwise. The cash flow statement is prepared using the direct method and the financial statements are prepared on the accruals basis.

## 2. Significant Accounting Policies

### (a) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the District Council and the revenue can be reliably measured, regardless of when the payment is received.

The general policy of the Council is to recognize revenue on an accrual basis with the substance of the relevant agreement. Revenue is recognized as deferred income when there is a related condition attached that would give rise to a liability to repay the amount.

Financial reporting of revenue arising from exchange transactions when one entity receives asset or services, or has liabilities exchanged, and directly gives approximately equal value in the form of cash, goods, services or use of assets to another entity in exchange. Non-exchange transactions are those transactions where there are no exchange of approximate direct benefits or value between receiving and giving entities.

**Revenue from Exchange Transactions**

(i) Bus toll fee

Bus toll fee is payable by every bus owner using the traffic centers and the fee is accounted for as income on an accrual basis. It is payable to Council one month in advance.

(ii) Rental income

Rent income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

(iii) Building and Land Use Permit Fee

Building and land use permit fee recognized on the actual basis, that is the amount actually received and/or collected and development permit actually issued.

(iv) Interest Income

Interest income is accrued using a time proportion basis based in accordance of the relevant agreement and prevailing rate of interest. Interest income generated from investment of the Passage Fund is accounted in the financial statements in compliance with Section 81 (5)(b) of the Local Government Act 2011.

(v) Burial and Incineration fees

Burial and incinerator fees are recognized on the actual basis that is the amount actually received and / or collected and service actually provided.

**Revenue from Non-Exchange Transaction**

(i) Trade fee

Trade fee is payable whenever an economic operator or any person carries out a classified trade as stipulated by the Local Government Act 2011 Section 122 (2). It is an offence to carry out such trade without the payment of the appropriate fees. However, there is a high risk that a trader failed to complete the procedure for cessation of business and thus the probability of receiving payment of trade fee is remote

(ii) Advertising fee

Advertising fees are accounted for as income on an accrual basis unless collectability is in doubt and cannot be recognized when it is uncertain that future economic benefit will flow to the Council, and the fair value of the asset can be measured reliably.

(iii) Government Capital grants

Government grant is not recognized until there is reasonable assurance that the Council will comply with the conditions attached to them and that the grants will be received. A liability is recognised in respect of the condition attached to the grant and related revenue recognised in the period the condition is satisfied. All capital grants received during the year were disbursed on value of works completed and hence accounted under revenue.

(iv) Government grant-in-aid

Grant in aid that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

(v) Transfer from other government entities

Revenue from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset ( cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably

**(b) Taxes**

Current income tax is not charged on the revenue of the Council and therefore local authorities are exempted from taxes on revenue.

**(c) Investment Property**

Investment property is land or buildings held to earn rentals rather that use in the production of services or for administrative purpose. Investment property is measured initially at its fair value at the date of acquisition or cost including transaction cost. It is recognized as an asset when it is likely that future economic benefits or service potential that are associated with the investment will flow to the Council and the cost or fair value of the investment property can be measured reliably.

Investment property acquired through a non-exchanged transaction is measured at its fair value at the date of acquisition and thereafter, it is measured using the cost model and is depreciated over a 20 years' period.

Investment property is de-recognised either when it is disposed or when it is permanently withdrawn form use and it is re-classified in the financial statement.

**(d) Property, Plant and Equipment**

The Council has adopted provisions under IPSAS 33 - First-time Adoption of Accrual Basis IPSASs, with regards to three years transitional period.

In line with the above, vehicles, machinery and equipment, computer and IT equipment and furniture, fixtures and fittings have been taken into consideration for valuation at cost less accumulated depreciation for this year. Other items will be accounted gradually in the next financial year in accordance with IPSAS.

(i) Buildings

Buildings held for use in the supply of services and for administrative purposes are stated in the financial statements at cost or transfer value, being the fair value at the date of transfer of ownership. No revaluation is carried out unless required.

(ii) Construction of drains, absorption pit, new roads, sport facilities, children playground and other community infrastructures are recognized under the public infrastructure. Extension of street lighting network and resurfacing of existing roads are also recognized as fixed assets.

(iii) Cost of patching of roads, traffic signs and names plates are charged to the income statement as expenses in the year they are incurred.

(iv) Machinery and Equipment, Furniture, Fixtures, Fittings, Intangibles are stated at cost less accumulated depreciation and accumulated impairment losses, and stated at its carrying value.

All property, plant and equipment are stated at cost unless otherwise stated. Cost includes expenditure that is directly attributable to the acquisition or transfer of the asset. Any replacement of a significant part of an existing fixed asset is disclosed as an individual asset with a specific useful lives and depreciated accordingly. The replacement cost includes major cost of inspection and capitalised to the total cost. All other cost of repairs and maintenance are recognized in surplus or deficit as incurred.

Assets acquired in a non-exchange transaction free of charge or at nominal value are initially recognized at its fair value thereof at the date of acquisition and depreciated accordingly. The corresponding credit is recognized as income in the statement of financial performance otherwise it is deferred as a liability if there are conditions attached to the use of asset.

Depreciation is charged so as to write off the cost of fixed assets less the residual value at the annual estimated rates over their useful lives, using the straight line method. The estimated useful lives, residual value and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the surplus or deficit in the statement of financial performance.

The annual rates are used in the calculation of depreciation:

| | |
|---|---|
| Building | 2% |
| Public Infrastructure | 2% to 10% |
| Computer and Equipment | 25% |
| Machinery and Equipment | 20% |
| Furniture, Fixtures and Fittings | 10% |
| Motor Vehicles | 12.50% |
| Intangible Assets | 12.5% |

Following information circulated by the Ministry of Local Government and Outer Islands, the depreciation rate for vehicles has been amended from 10% to 12.50% as from financial year 2018/2019. The change has been incorporated in the calculation of depreciation charges for vehicles.

The residual values are estimated at rate listed below of initial acquisition cost:

| | |
|---|---|
| Computer and Equipment | 5% |
| Machinery and Equipment | 5% |
| Furniture, Fixtures and Fittings | 10% |
| Motor Vehicles | 15% |

**(e) Intangible Assets**

Intangible assets are recognized if it is probable that future benefits or services potential that are attributable to the asset will flow to the Council, and the cost or fair value of the asset can be measured reliably. Internally generated intangible assets are not recognized. An intangible item that do not meet both the recognition and definition criteria is expense in statement of financial performance when incurred.

Following the initial recognition as an intangible asset it is accounted for using the cost model less any accumulated depreciation and impairment losses. The economic useful life of an intangible asset is assessed as finite or infinite.

Application software is classified as an intangible asset while operating software is recognized as property, plant and equipment as it cannot be separated from the latter. The cost of intangible is amortized over its useful economic life. Impairment test is carried out whenever there is indication that the asset may be impaired.

| | |
|---|---|
| Operating Software (Office ) and software licenses | 8 years |

The amortization period and the amortization method for an intangible asset with a finite life are reviewed at the end of each reporting year. Any changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period and/or method as appropriate, and are treated as changes in accounting estimates. Amortization expense is recognized in surplus or deficit under the amortization cost of intangible assets.

Gains or losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is de-recognized.

**(f) Impairment of Non-Financial Assets**

At each reporting date, Council assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Council estimates the asset's recoverable amount for cash generating asset and recoverable service amount for non-cash generating asset. A cash generating asset is an asset that is held with the primary objective of generating a commercial return whereas a non-cash generating asset is one from which Council do not intend to realise commercial return.

Impairment of Cash Generating Assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use, and it is determined for an individual asset, unless does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or the cash generating unit exceeds its recoverable amount, the asset is considered impaired and it is written down to its recoverable amount. Any impairment loss or gain is recognized in the statement of financial performance under other gain or loss.

In computing the value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of financial performance in those expense categories consistent with the nature of the impaired asset.

Impairment of Non-cash Generating Assets

An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount the asset is considered impaired and is written down to its recoverable service amount.

The depreciated replacement cost approach has been adopted by Council, where the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The fair value less cost to sell is the market value/price less cost of disposal based on the best available information. An individual assessment of asset is carried out at each reporting date to identify any indication that previously impairment loss may no longer exist or may have decreased. An estimation of the asset's recoverable service amount is carried out. A previously recognized impairment loss is reversed only when there has been a change in the assumptions used to determine the asset's service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior year. The reversal is recognized in the statement of financial performance under other gain/loss.

**(g) Financial Instruments**

**FINANCIAL ASSETS**

Financial assets are classified as financial assets at fair value through surplus/deficit, loans and receivables, held to maturity investments and/or available-for-sale financial assets. Council determines the classification of its financial assets at initial recognition.

Financial assets are recognized on the date that Council is committed to purchase or sell the asset and/or date on which the assets are transferred or delivered. Council financial assets include: cash and cash equivalent; term deposits; trade and other receivables; loans and other receivable; and inventories.

Subsequent to initial recognition financial assets are measured based on their respective classification. They are classified into four categories namely: financial assets measured at fair value through surplus or deficit, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

**Financial Assets at Fair Value through Surplus or Deficit**

Financial assets at fair value through surplus or deficit include financial assets held for trading and that are designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near future. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in the fair value recognized in surplus or deficit.

**Held-to-maturity investments**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the District Council has the positive intention and ability to hold to maturity. If the District Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

Held-to-maturity financial assets are measured at amortized cost using the effective interest method less impairment loss. The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. Any loss arising from impairment of the asset is recognized in the surplus or deficit.

Financial assets or part of it is derecognized firstly when the right to receive cash flows from the asset have expired or is waived. Secondly, when Council has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party. Thirdly, when Council has transferred substantially all the risks and rewards of the assets and/or Council has transferred control of the asset.

**Available-for-sale financial assets**

Available-for-sale financial assets are assets that are designated as available for sale or not classified as loans and receivables, held-to-maturity or financial assets at fair value through surplus or deficit. After initial measurement available-for-sale assets are subsequently measured at fair value with gains and losses recognized directly in net assets through the statement of changes in the net assets until the financial asset is de-recognised, at which time the cumulative gain or loss is recognized in surplus or deficit.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After its initial measurement such assets are subsequently measured at amortized cost using the effective interest method less any impairment loss.

**Impairment of financial assets**

Financial assets are deemed to be impaired if there is objective evidence of impairment as result of one or more events that has occurred after the initial recognition of the asset and that the event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

**FINANCIAL LIABILITIES**

Financial liabilities are classified at fair value through surplus or deficit or loans and borrowings at its initial recognition. However, loans and borrowings are recognized at fair value plus any direct attributable costs. The District Council of Flacq financial liabilities includes trade and other payables.

**Financial liabilities at fair value through surplus or deficit**

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading, that is they are acquired for the purpose of trading in the near term and financial liabilities designed upon initial recognition as at fair value through surplus or deficit. Such financial liabilities are hedging instruments. Any gain or loss in a hedging transaction is recognized in the surplus or deficit.

**Loans and Borrowings**

After initial recognition interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Any gain or loss is recognized in the surplus or deficit when the liabilities are de-recognized as well as through the effective interest method amortization process.

**De-recognition of financial liabilities**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same source on substantially different terms. Or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

**Offsetting of financial instruments**

Financial assets and liabilities are offset only if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, and the net amount is accounted in the statement of financial position.

**(h) Inventories**

Inventories are measured at cost upon initial recognition. Inventory received free or at nominal cost in a non-exchange transaction is recognized at fair value at the date of acquisition.

- Raw materials are accounted at purchase cost using the weighted average cost method.
- Work-in-progress and finished goods are accounted at cost of direct materials plus labour cost and a proportion of overheads based on the normal operating capacity, but excluding borrowing cost.

After initial recognition, inventory is measured at the lower of cost and net realisable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price or the market price less the estimated costs of completion of the sale, exchange or distribution.

Inventories are stated at weighted average value or weighted average price of lots of items where balance of the lot is greater than zero. Value for the item of stock is the cost charged by supplier. The Council practices the first in first out basis (FIFO) for the issue of stock items. Inventories are recognized as an expenses when issued for utilization and consumption in the provision of services and administration of the Council.

**(i) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank net of overdraft, cash in hand, short term deposits with a financial institutions and highly liquid investment with a maturity period of not exceeding three months which is readily convertible into cash and is not subject to significant risk of change in value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

**(j) Trade and Other Payables**

Trade and other payables are stated at their nominal value. All known trade payables are recognized at its cost. They are classified as current liabilities if payment is due within one year. Otherwise, they are presented as non-current liabilities.

**(k) Provisions**

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties required to settle the present obligation. When the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement, for example under an insurance contract.

**(l) Contingent liabilities**

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources is remote.

**(m) Contingent Assets**

The Council does not recognize a contingent liability, but discloses details of any possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Council in the notes to the financial statements.

**(n) Retirement Benefit Costs**

(i) State Plan

The Council contributes 6 % of the gross emoluments of part-time employees and employees who are not on a permanent and pensionable establishment to the National Pension Fund.

The Council also contributes 2.5% of the gross emoluments of all employees to the National Savings Fund.

The above contributions are charged to statement of profit or loss in the year they are due.

(ii) Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the District Council pays fixed contributions (12% of gross emoluments) into another entity, the State Investment Company of Mauritius Limited (“SICOM Ltd”), for new full time employees who joined the Local Authorities from 1 January 2013 onwards. The District Council has no further payment obligations once the contributions have been paid. These contributions are charged to statement of profit or loss in the year they are due.

(iii) Retirement Pension To Retirees Before 1 July 2008

The Council pays retirement pension to those employees who retired before 1 July 2008.
The obligation has been calculated by independent actuaries from SICOM Ltd and the accounting policy is as per the defined benefit plan.

(iv) Compassionate Allowance

In accordance with the Local Authority Employees (Allowance) Regulations 1964 (GN 159 of 1964) the Council also pays Compassionate Allowance to part time employees who have been in service for more than 5 years on their retirement. This has been computed based on the number of year of services up to the year end, average annual wage for the last 5 years.

(v) Defined Benefit Plan

The Council operates a defined benefit plan, administered by and invested with SICOM Ltd. The pension plan is funded by payment of contribution to the fund (Council: 12% of gross emoluments and employee: 6% of gross emoluments) taking account of the recommendations of the Pay Research Bureau (PRB) report.

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, dependent on factors such as years of service and compensation.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation has been calculated by independent actuaries from SICOM Ltd using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields on bonds.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

(vi) Bank of Sick Leave

Employee entitlements to bank sick leave as defined in the PRB report are recognized as and when they accrue to employees. An accrual is made for the estimated liability for bank sick leave.

(vii) Unutilized Vacation Leave

Employee entitlements to vacation leave as defined in the PRB report are recognized as and when they accrue to employees. An accrual is made for the estimated liability for unutilized vacation leave.

**(o) Nature and Purpose of Reserves**

The Council creates and maintains reserves in terms of specific requirements.

Pension Fund

Enacted under section 81 of the Local Government Act 2011, a pension fund has been created by Council whereby a monthly contribution, in line with the Pay Research Bureau recommendation, in paid in and retirement benefit is paid out of it to retired employees of the Council. These include payment of retirement benefits to employees transferred from another local authority, public service, statutory body or from any other institution. Every year an actuarial investigation is carried out to determine the pension liability and adjustment is made accordingly to the surplus or deficit in the statement of financial performance and statement of financial position.

The pension fund is managed by the State Investment Company and therefore it does not include in the statement of change in net asset.

Passage Fund

Enacted under Section 81 of the Local Government Act 2011, a passage fund has been created by the Council to finance the payment of passage benefit to officers transferred from other Local Authorities, from the public service, from a statutory body or from any other institution.

Income derived from investment of the unutilized passage benefit payable to employees of the Council is transferred to equity under the item passage fund.

**(p) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or manufacture of qualifying fixed assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those fixed assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of the specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Otherwise all other borrowing costs are recognized in the statement of financial performance in the period in which they are incurred.

**(q) Related Parties**

Related parties are entities that control or have significant influence over the reporting entity and parties that controlled or significantly influenced by the reporting entity. Members of key management, members of executive committee, members of permit and business monitoring committee, district councillors, members of procurement committee and the parent ministry.

The Village Councils are managed and significantly influenced by its Chairperson, Vice-Chairperson and District Councillors given that they are separate legal entities as per local Government Act 2011 and the District Council is responsible for overviewing the administration. The village council funds are managed by the Chief Executive and Financial Controller of the District Council. The Council has no significant influence over the decision making process of the village councils. The expenditure of village councils are disclosed under grant and subsidies in one line.

**(r) Budget Information**

Budget information of local authorities are required to be made readily available for public inspection under section 85(e) of the Local Government Act 2011.

The annual budget is prepared on the accrual basis whereby all estimated expenditure and income and presented in a performance-based budget format. After its approval by the Council, the budget estimates is submitted to the parent ministry for its approval as per with section 85 of the Local Government Act 2011. The budget is then approved after the Local Government Governance Unit having carried out adjustment to the original budgetary provisions.

The Statement of Comparison of budget and actual amounts are prepared on the same basis as the budget.

During the financial year Council carried out monthly budget monitoring exercise to identify the need for any additional funding and a final revised budget estimates is submitted with expected expenditure and revenue for the ministerial approval.

Any difference between revised and actual expenditure and income is provided in the notes to the financial statements.

**(s) Status and level of IPSAS application**

During first time adoption of IPSAS accrual accounting under IPSAS33, the following status and level of IPSAS application are disclosed:

| **IPSAS** | | **Pronouncement** | **Based on** | **Compliant** | **Transitional** |
|---|---|---|---|---|---|
| IPSAS | 1 | Presentation of Financial Statements | IAS 1 | Yes | N/A |
| IPSAS | 2 | Cash Flow Statements | IAS 7 | Yes | |
| IPSAS | 3 | Accounting Policies, Changes in Accounting Estimates and Errors | IAS 8 | | Yes |
| IPSAS | 4 | The Effects of Changes in Foreign Exchange Rates | IAS 21 | N/A | N/A |
| IPSAS | 5 | Borrowing Costs | IAS 23 | Yes | |
| IPSAS | 6 | Consolidated and Separate Financial Statements | IAS 27 | Yes | Yes |
| IPSAS | 7 | Investments in Associates | IAS 28 | N/A | N/A~~/A~~ |
| IPSAS | 8 | Interests in Joint-Ventures | IAS 31 | N/A | N/A |
| IPSAS | 9 | Revenue from Exchange Transactions | IAS 18 | Yes | Yes |
| IPSAS | 10 | Financial Reporting in Hyperinflationary Economies | IAS 29 | N/A | N/A |
| IPSAS | 11 | Construction Contracts | IAS 11 | N/A | N/A |
| IPSAS | 12 | Inventories | IAS 2 | Yes | N/A |
| IPSAS | 13 | Leases | IAS 17 | N/A | N/A |
| IPSAS | 14 | Events After the Reporting Date | IAS 10 | Yes | Yes |
| IPSAS | 15 | Financial Instruments: Disclosure and Presentation — superseded by IPSAS 28 and IPSAS 30 | | | |
| IPSAS | 16 | Investment Property | IAS 40 | N/A | N/A |
| IPSAS | 17 | Property, Plant and Equipment | IAS 16 | | Yes |
| IPSAS | 18 | Segment Reporting | IAS 14 | N/A | N/A |
| IPSAS | 19 | Provisions, Contingent Liabilities and Contingent Assets | IAS 37 | | Yes |
| IPSAS | 20 | Related Party Disclosures | IAS 24 | Yes | Yes |
| IPSAS | 21 | Impairment of Non-Cash-Generating Assets | IAS 36 | No | No |
| IPSAS | 22 | Disclosure of Financial Information About the General Authorities Sector | N/A | No | No |
| IPSAS | 23 | Revenue from Non-Exchange Transactions (Taxes | N/A | Yes | Yes |

| IPSAS | | Pronouncement | Based on | Compliant | Transitional |
|---|---|---|---|---|---|
| | | and Transfers) | | | |
| IPSAS | 24 | Presentation of Budget Information in Financial Statements | N/A | Yes | Yes |
| IPSAS | 25 | Employee Benefits — superseded by IPSAS 39 | | No | Yes |
| IPSAS | 26 | Impairment of Cash-Generating Assets | IAS 36 | Yes~~No~~ | Yes~~No~~ |
| IPSAS | 27 | Agriculture | IAS 41 | N/A | N/A |
| IPSAS | 28 | Financial Instruments: Presentation | IAS 32 | Yes | Yes |
| IPSAS | 29 | Financial Instruments: Recognition and Measurement | IFRS 9~~AS 39~~ | Yes | Yes |
| IPSAS | 30 | Financial Instruments: Disclosures | IFRS 7 | yes | Yes |
| IPSAS | 31 | Intangible Assets | IAS 38 | Yes | Yes |
| IPSAS | 32 | Service Concession Arrangements: Grantor | IFRIC 12 | N/A | N/A |
| IPSAS | 33 | First-time Adoption of Accrual Basis IPSAS~~s~~ | N/A | Yes | Yes |
| IPSAS | 34 | Separate Financial Statements | IAS 27 | N/A | N/A |
| IPSAS | 35 | Consolidated Financial Statements | IFRS 10 | No | Yes |
| IPSAS | 36 | Investments in Associates and Joint Ventures | IAS 28 | N/A | N/A |
| IPSAS | 37 | Joint Arrangements | IFRS 11 | N/A | N/A |
| IPSAS | 38 | Disclosure of Interests in Other Entities | IFRS 12 | N/A | N/A |
| IPSAS | 39 | Employee Benefits | IAS 19 | N/A | Yes |
| IPSAS | 40 | Public Sector Combinations | IFRS 3 | N/A | N/A |
| IPSAS | 41 | Financial Instruments | IAS 39(IPSAS 29) | Yes | Yes |
| IPSAS | 42 | Social Benefits | | Not yet | Not yet |

## 3. Critical Accounting Estimates, Assumption and Judgements in Applying Accounting Policies and Estimates

The preparation of the financial statements in conformity with IPSAS requires the District Council to make certain accounting estimates and judgements that have an impact on the policies and the amounts reported in the financial statements. Estimates and judgements are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.

The estimates and assumptions that have a significant risk of causing adjustment to carrying amounts of assets and liabilities are discussed below:

(i) Provisions

Provisions are measured at the management's best estimation of the potential financial obligational based on the information available at the reporting date.

(ii) Provision for Bad Debts

Provision is made when there is objective evidence that the District Council will not be able to collect certain debts. This is made based on detailed analysis and historical experience.

(iii) Useful Economic Life and Residual Values

The economic useful life and its residual value is assessed based on the nature of the asset, its susceptibility and adaptability to changes in technology and process; the environment where the asset is deployed; expert advice; financial capacity to replace the asset; and change in the market in relation to the asset.

(iv) Fair Value Estimation

Financial assets and financial liabilities recognized in the statement of financial position are derived from the active market based on the market price. In the absence of an active market the fair value is determined using valuation techniques such as discounted cash flow model. The inputs to the models are obtained from the market, otherwise judgment is required in establishing fair value. Judgement includes the consideration of inputs like liquidity risk, credit risk and volatility. Any change in assumptions may affect the fair value of the assets and liabilities.

(v) Defined Benefit Obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions such as discount rate, expected salary increase and mortality. Any change in these assumptions will impact the carrying amount of pension obligations.

(vi) Change in accounting policies

Any effect of change in accounting policies is applied retrospectively. The effect of change s in accounting policy are applied prospectively if retrospective application is impractical.

**Departure from the Adoption of Existing Standards**

IPSAS 17 – Property, Plant and Equipment

The Council has adopted provisions under IPSAS 33 - First-time Adoption of Accrual Basis IPSASs, with regards to three years transitional period for accounting of all Property, Plant and Equipment.

In line with the above, vehicles, machinery and equipment, computer and IT equipment and furniture, fixtures and fittings have been taken into consideration for valuation at cost less accumulated depreciation for this year. Other items will be accounted gradually in the next financial year in accordance with IPSAS.

All Property, Plant and Equipment will be accounted by the financial year 2019/2020 with corresponding depreciation charges in accordance with IPSAS.

**Financial Risk Management**

The District Council is exposed to financial, credit and liquidity risks. The overall risk management of the District Council is focused on the mitigation of liquidity and credit risks and seek to minimize potential adverse effects on the financial performance and service delivery of the Council.

**Credit risk**

Credit risk arises from credit exposures to customers. The Council does not consider the need to have an independent rating of its customers. In fact, no trade fee receipt is issued on credit.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities. The Council has appropriate management policy in place to ensure that there is sufficient cash to meet its financial obligations.