

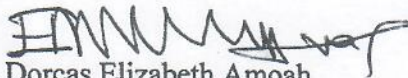
## STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Financial Report of Nzema East Municipal Assembly (NEMA) provides the financial information on a transparent and accessible basis as well as an important element in the overall framework of accountability and financial integrity of NEMA.

The financial statements and associated disclosures have been drawn up in accordance with, the Public Financial Management Act, 2016 Act 921, the Public Financial Management Regulations, 2019 L.I. 2378, the Local Governance Act, 2016 Act 936, as amended by Act 940, the International Public Sector Accounting Standards (IPSAS) and the relevant resolutions adopted by NEMA. Contributions from governments and other sources have been used solely for the purposes for which these were specifically designated. All transactions have been properly documented.

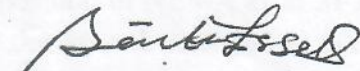
The system of internal control relating to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the public financial management legal frameworks. This system includes relevant policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transaction; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements and that receipts and expenditures are executed in accordance with authorizations of management in compliance with the public financial management legal frameworks; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of NEMA's assets.

To the best of our knowledge, the financial statements fairly present NEMA's financial position at 31 December 2022. During the external audit process, Management provided the Audit Service with all relevant information and access as agreed in the terms of the audit engagement.



Mrs. Dorcas Elizabeth Amoah

Municipal Chief Executive

  
Mr. Daniel Bentum Essel

Municipal Coordinating Director,  
NEMA

  
Mr. George Acquah Nunoo

Municipal Finance Officer  
NEMA



## OPINION OF THE EXTERNAL AUDITOR

In case of reply the number and date of the letter should be quoted



Our Ref. No: WR/LA/DA.3A/V.3/15  
Your Ref. No:.....  
Tel: 223 (0) 302 664920/28/29  
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P.O. Box 31  
Takoradi  
20 April, 2023

### INDEPENDENT AUDITOR'S REPORT TO THE MUNICIPAL CHIEF EXECUTIVE, NEMA

#### AUDIT REPORT ON THE FINANCIAL STATEMENTS OF NZEMA EAST MUNICIPAL ASSEMBLY

##### Report on the financial statements

We have audited the accompanying financial statements of the Nzema East Municipal Assembly (NEMA) which comprise the statement of financial position as at 31 December 2022 the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and supporting schedules.

##### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NEMA as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) as adopted by the Government of Ghana.

##### Basis of Opinion

We conducted our audit in accordance with the International Standards of Supreme Auditing Institutions (ISSAIs). Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of NEMA in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those



requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management and those charged with governance for the financial statements**

The Municipal Coordinating Director (MCD) is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the MCD determines to be necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Those charged with governance are responsible for overseeing the financial reporting process of NEMA.

### **Auditor's responsibilities for the audit of the financial statements**


Our objectives are to obtain reasonable assurance that the financial statements are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 based on these financial statements.

As part of an audit, in accordance with the ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- a. 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;
- b. Identify and assess the risks of material misstatement in 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 our opinion;
- c. Obtain an understanding of internal controls 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 internal controls of NEMA;
- d. All public monies have been expended for the purposes for which they were appropriated and expenditures have been made as authorized;

- e. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the MCD; and
- f. Programmes and activities have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved.

We communicated 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 controls and compliance with other public legal frameworks that we identified during our audit in a separate audit Management Letter.

  
**PEARL ENANU KLU**  
**ASSISTANT AUDITOR-GENERAL, WESTERN REGION**  
**FOR: AUDITOR-GENERAL**

Cc: The Auditor-General (2)  
Audit Service  
**Accra**

Head of Service  
Local Government Service  
**Accra**

The Regional Coordinating Director  
Regional Coordinating Council  
**Sekondi**

The Municipal Coordinating Director ✓  
Nzema East Municipal Assembly  
**Axim**

The Municipal Finance Officer  
Nzema East Municipal Assembly  
**Axim**

The District Auditor  
Audit Service  
**Axim**



## FINANCIAL HIGHLIGHTS

The Financial Statements for 2022 was presented in accordance with the public financial legislative requirements and other statutes and the format required under IPSAS. The financial statements also include supplementary information that further explains and supports the information in the financial statements.

The summary highlights and analysis of the Financial Statements of NEMA for the year ended 31 December, 2022 are presented below:

### **Budget Performance**

#### *a. Budgeted receipts*

In 2022, the total actual receipts of GHC6,761,363.00 was lower than the approved budget of GHC8,822,198.39 resulting in an adverse variance of GHC2,060,835.39. The total receipts of GHC6,761,363.00 for 2022, compared with GHC5,351,095.40 received in 2021, showed an increase of GHC1,410,267.60 or 26.35 per cent over the prior year.

#### *b. Budgeted payments*

During the period under review, the approved budget for NEMA in respect of approved programs and projects was GHC8,822,198.39 compared to GH 8,241,378.08 in 2021. The total actual payments for 2022 came to GHC 6,043,302.26, resulting in a favorable variance of GHC2,778,896.13 compared to the budgeted payments of GHC8,822,198.39. This resulted in the overall increase in cash and cash equivalents by GHC718,060.74 after deducting the adverse variance in the budgeted receipts of GHC2,060,835.39. However, the total actual payments for 2022 was higher than the actual payment for 2021 of GH4,757,954.66 representing a decrease by GHC1,285,347.6 or 27.01 percent.

### **Financial Performance**

#### *Revenue*

During the period under review, total revenue received by the NEMA amounted to GHC 6,642,990.39 compared with GHC 5,351,095.40 received in the previous year, showing an increase of 19.45 per cent. This increase is attributable to Internally Generated Funds, DACF and other statutory funds.

#### *Expenses*

Total Expenses incurred by the NEMA in 2022 amounted to GHC 4,892,735.61 as against GHC 3,875,216.52 for the previous year, showing an increase of GHC1,017,519.09 or 26.26 per cent. Except for social benefits, all other expenditure items registered increases when compared with those of the previous year.

### *Operational results*

During the year under review, NEMA recorded a surplus of GHC 1,750,254.78 from its operations as compared to the reported surplus of GHC 1,475,878.88 in 2021. The increase in the surplus recorded was due to increase in decentralized transfer and IGF during the year over the previous year with a less than proportionate increase in the expenditure. The net operational results of GHC 1,750,254.78 and a prior period adjustment of GHC 8,598.37 were accordingly transferred to the Accumulated Fund Balances, resulting in an increase from GHC 5,207,507.86 in 2021 to GHC 6,949,164.27 as at the end of 2022.

### **Financial Position**

#### *Asset*

As at 31 December, 2022, total assets of NEMA stood at GHC 7,590,378.48 as against GHC 5,207,507.86 recorded in the previous year, representing an increase of GHC 2,382,870.62 or 45.76 per cent. Cash and cash equivalent amounting to GHC 1,161,709.47 constituted 15.30 per cent of the total assets.

#### *Liabilities*

Total liabilities stood at GHC 641,214.21. There was no liability for the previous year. Payables to contractors amounting to GHC 525,788.40 accounted for 82 per cent of the liabilities. At a current ratio of 2.3:1, our analysis showed that the NEMA will be able to meet its short-term obligations as and when they fall due.

#### *Fund Balances*

The NEMA's Fund Balances stood at GHC 6,949,164.27 as at 31 December 2022, compared with GHC 5,207,507.86 as at 31 December 2021, registering an increase of GHC 1,741,656.41 translating to 33.44 per cent.



**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

	NOTES	2022 GH¢	2021 GH¢
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	18	1,161,709.47	443,648.73
Receivables	19	320,000.00	340,000.00
Inventories	20	-	-
<b>Total</b>		<b>1,481,709.47</b>	<b>783,648.73</b>
<b>Non-Current Assets</b>			
Investment	21	-	-
Property, plant and Equipment	22	4,244,230.25	3,598,270.99
Work-In-Progress	23	1,864,438.76	825,588.14
Land	24	-	-
Intangible asset	25	-	-
<b>Non-Current Assets</b>		<b>6,108,669.01</b>	<b>4,423,859.13</b>
<b>Total ASSETS</b>		<b>7,590,378.48</b>	<b>5,207,507.86</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payables	26	534,243.23	-
Trust Monies	27	106,970.98	-
Short term borrowings	28	-	-
<b>Total</b>		<b>641,214.21</b>	<b>-</b>
<b>NON-CURRENT LIABILITIES</b>			
Long- term borrowings	29	-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>641,214.21</b>	<b>-</b>

<b>NET ASSETS/ (LIABILITIES)</b>		<b>6,949,164.27</b>	<b>5,207,507.86</b>
<b>FINANCED BY:</b>			
Accumulated fund B/F	30	5,207,507.86	3,731,628.98
Changes in Net Assets/Equity	31	1,741,656.41	1,475,878.88
<b>NET WORTH</b>		<b>6,949,164.27</b>	<b>5,207,507.86</b>

  
**MR. DANIEL BENTUM ESSEL**

**MUNICIPAL COORDINATING DIRECTOR,  
NEMA**

  
**MRS. DEBORAH W. HAMMOND**

**MUNICIPAL FINANCE OFFICER  
NEMA**

*To be read in conjunction with the accompanying notes to the financial statements.*



**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31  
DECEMBER, 2022**

REVENUE	NOTE	ANNUAL BUDGET	REVISED BUDGET	ACTUAL 2022	ACTUAL 2021
		GH¢	GH¢	GH¢	GH¢
GoG Subvention/Decentralized Transfers	2	7,951,413.39	7,951,413.39	5,811,258.04	4,765,349.12
Internally Generated Fund	3	870,785.00	870,785.00	831,732.35	585,746.28
Donor/Grants	4	-	-	-	-
<b>TOTAL REVENUE</b>		<b>8,822,198.39</b>	<b>8,822,198.39</b>	<b>6,642,990.39</b>	<b>5,351,095.40</b>
<b>EXPENDITURE</b>					
Compensation of Employees	8	3,984,576.96	3,984,576.96	2,819,926.61	2,946,967.58
Goods and Services	9	2,086,904.09	2,086,904.09	1,780,803.75	754,705.94
Interest	10	-	-	-	-
Subsidy	11	-	-	-	-
Social Benefits	12	3,000.00	3,000.00	-	2,539.00
Other Expenses	13	229,769.70	229,769.70	205,388.31	171,004.00
Consumption of Fixed Asset	22	-	-	86,616.94	-
<b>TOTAL EXPENDITURE</b>		<b>6,304,250.75</b>	<b>6,304,250.75</b>	<b>4,892,735.61</b>	<b>3,875,216.52</b>
<b>SURPLUS/(DEFICIT)</b>		<b>2,517,947.64</b>	<b>2,517,947.64</b>	<b>1,750,254.78</b>	<b>1,475,878.88</b>

*To be read in conjunction with the accompanying notes to the financial statements.*



**STATEMENT OF CHANGES IN NET ASSETS AND EQUITY FOR THE  
YEAR ENDED 31 DECEMBER 2022**

	<i>Accumulated Surplus/ (Deficits)</i>	<i>Assets Revaluation</i>	<i>Translation Reserves</i>	<i>Other Reserves</i>	<i>Total</i>
	<i>GH¢</i>	<i>GH¢</i>	<i>GH¢</i>	<i>GH¢</i>	<i>GH¢</i>
<b>Opening Balance for the year 2021</b>	3,731,628.98	-	-	-	3,731,628.98
<i>Changes in Accounting Policy/ Prior Periods Adjustments</i>		-	-	-	-
<b>Restated / Adjusted Balance 2021</b>	3,731,628.98	-	-	-	3,731,628.98
<b>Changes in net assets and equity for the year 2021</b>					-
<i>Gain on Property Revaluation</i>		-			-
<i>Loss on Revaluation of Investments</i>		-			-
<i>Exchange differences on translating foreign operation/ or exchanges</i>			-		-
<i>Net gains and losses not recognized in the statement of financial performance</i>		-		-	-
<i>Net Revenue recognized directly in Net Assets/Equity</i>		-	-		
<i>Surplus/(Deficits) for the period 2021</i>	1,475,878.88	-	-	-	1,475,878.88
<b>Total recognized revenue and expenses for the period</b>	1,475,878.88	-	-	-	1,475,878.88
<b>Closing Balance for the year 2021</b>	5,207,507.86	-	-	-	5,207,507.86
<b>Opening Balance for the year 2022</b>	5,207,507.86	-	-	-	5,207,507.86
<i>Changes in Accounting Policy/ Prior Periods Adjustments</i>	(8,598.37)	-	-	-	(8,598.37)
<b>Restated / Adjusted Balance 2022</b>	5,198,909.49	-	-	-	5,198,909.49
<b>Changes in net assets and equity for the year 2022</b>					-
<i>Gain on Property Revaluation</i>		-			-
<i>Loss on Revaluation of Investments</i>		-			-



<i>Exchange differences on translating foreign operation/ or exchanges</i>						
<i>Net gains and losses not recognized in the statement of financial performance</i>						
<i>Net Revenue recognized directly in Net Assets/Equity</i>						
<i>Surplus/(Deficits) for the period 2022</i>	<b>1,750,254.78</b>					<i>1,750,254.78</i>
<i>Total recognized revenue and expenses for the period</i>	<b>1,750,254.78</b>					<i>1,750,254.78</i>
<i>Closing Balance for the year 2022</i>	<b>6,949,164.27</b>					<i>6,949,164.27</i>

To be read in conjunction with the accompanying notes to the financial statements.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER  
2022**

	NOTES	CURRENT	PREVIOUS
		2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		GH¢	GH¢
<b>Cash Receipt from Operating Activities</b>			
GoG Subvention	2	5,909,630.65	2,797,053.31
IGF Receipt	3	831,732.35	585,746.28
Grant	4	-	1,968,295.81
Other Receipts	5	20,000.00	-
<b>Total Receipt</b>		<b>6,761,363.00</b>	<b>5,351,095.40</b>
<b>Cash Payment for Operating Activities</b>			
Compensation of Employees	8	(2,819,926.61)	(2,946,967.58)
Goods and Services	9	(1,772,348.92)	(754,705.94)
Interest	10	-	-
Government Subsidies	11	-	-
Social Benefit	12	-	(2,539.00)
Other Expenses	13	(205,388.31)	(171,004.00)
Other Payments	17	-	-
<b>Total Payment</b>		<b>(4,797,663.84)</b>	<b>(3,875,216.52)</b>
<b>NET CASHFLOW FROM OPERATING ACTIVITIES</b>		<b>1,963,699.16</b>	<b>1,475,878.88</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
<b>Cash Receipt from Investing Activities</b>			
Disposal of Non-Financial Asset	14	-	-



Recovery of Loans	7	-	-
Sale of Investment	7	-	-
Recovery of Advances	7	-	-
Dividend Received		-	-
<b>Total Receipt</b>		-	-
<b>Cash Payment for Investing Activities</b>			
Acquisition of Non-Financial Asset	15	(1,245,638.42)	(882,738.14)
Issue of Loans	16	-	-
Purchase of Investment	16	-	-
Issue of Advances	16	-	-
<b>Total Payment</b>		<b>(1,245,638.42)</b>	<b>(882,738.14)</b>
<b>NET CASHFLOW FROM INVESTING ACTIVITIES</b>		<b>(1,245,638.42)</b>	<b>(882,738.14)</b>
<b>CASHFLOW FROM FINANCING ACTIVITY</b>			
<b>Cash Receipt from Financing Activities</b>			
Proceeds from Domestic Borrowing		-	-
Proceeds from External Borrowing		-	-
<b>Total Receipt</b>		-	-
<b>Cash Payment for Financing Activities</b>			
Repayment of Domestic Borrowing		-	-
Repayment of External Borrowing		-	-
Dividend Paid		-	-
<b>Total Payment</b>		-	-
<b>NET CASHFLOW FROM FINANCING ACTIVITY</b>		-	-
<b>NET CHANGE IN STOCK OF CASH</b>		<b>718,060.74</b>	<b>593,140.74</b>
<b>CASH AND CASH EQUIVALENT AT BEGINNING</b>		<b>847,058.51</b>	<b>253,917.77</b>

PRIOR PERIOD ADJUSTMENTS		-	-
CASH AND CASH EQUIVALENT AT CLOSE		1,565,119.25	847,058.51

*To be read in conjunction with the accompanying notes to the financial statements*



**STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEARENDED  
31 DECEMBER, 2022.**

	NOTE	2022				2021		
		ANNUAL	REVISED	2022	2022	2021	2021	2021
		BUDGET GH¢	BUDGET GH¢	ACTUAL GH¢	BUDGET VARIANCE GH¢	BUDGET GH¢	ACTUAL GH¢	BUDGET VARIANCE
RECEIPTS	NOTE							
RECEIPTS	NOTE							
GoG								
Subvention/Decentralized Transfers	2	7,951,413.39	7,951,413.39	5,909,630.65	(2,041,782.74)	2,409,925.80	2,797,053.31	387,127.51
Internally Generated Fund	3	870,785.00	870,785.00	831,732.35	(39,052.65)	674,429.64	585,746.28	- 88,683.36
Grant	4	-	-	-	-	5,157,022.64	1,968,295.81	- 3,188,726.83
Other Receipts	5	-	-	20,000.00	20,000.00	-	-	-
Loans Received	6	-	-	-	-	-	-	-
Recovery of Financial Asset	7	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>		<b>8,822,198.39</b>	<b>8,822,198.39</b>	<b>6,761,363.00</b>	<b>(2,060,835.39)</b>	<b>8,241,378.08</b>	<b>5,351,095.40</b>	<b>(2,890,282.68)</b>
<b>PAYMENTS</b>								
Compensation of Employees	8	3,984,576.96	3,984,576.96	2,819,926.61	1,164,650.35	2,570,405.00	2,946,967.58	- 376,562.58
Goods and Services	9	2,086,904.09	2,086,904.09	1,772,348.92	314,555.17	1,719,745.00	754,705.94	965,039.06







## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### 1.1 General Statement

These general-purpose financial statements cover operations of **the NZEMA EAST MUNICIPAL ASSEMBLY**, as economic reporting entity in the Public Sector of the Republic of Ghana.

In preparing the Financial Statements, the Assembly cognizance of the 1992 Constitution and the PFM Act 2016. Pending the enactment of the regulations for the PFM Act, relevant portions of the Public Financial Management Regulations 2019 (LI 2378) and the Local Governance Act, 2016 (Act 936) and its amended Act 940 have been applied to the preparation of these Financial Statements.

#### 1.2 Basis of Preparation

The financial statements have been prepared on a modified accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) with effort towards full adoption and compliance with the International Public Sector Accounting Standards (IPSAS). In preparing the financial statements, the Controller and Accountant-General takes cognizance of the Constitution of the Republic of Ghana 1992, the Public Financial Management Act 2016 (Act 921), the Public Financial Management Regulations 2019 (LI 2378), the Local Governance Act, 2016 (Act 936) and as amended by Act 940, as well as any other relevant subsidiary legislations. The 2022 financial statements have been prepared on General Government based on the Appropriation Act 2021 (Act 1069), the resolutions approving the Composite Budget of the Metropolitan, Municipal and District Assemblies (MMDAs), pursuant to Article 179 (2) (a) of the 1992 Constitution of the Republic of Ghana. These financial statements have been prepared on a going-concern basis and the accounting policies have been applied consistently in the preparation and presentation of the financial statements. The financial statements present fairly the assets, liabilities, revenue and expenses of the Assembly and consist of the following:

- (a) Statement of financial position;
- (b) Statement of financial performance;
- (c) Statement of changes in net assets;
- (d) Cash flow statement, using the direct method;
- (e) Statement of comparison of budget and actual amounts;



(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information are also presented in the notes.

### 1.3 Measurement basis

The financial statements are prepared using the historical-cost convention and financial assets are recorded at fair values.

### Functional and Presentation Currency

The functional and presentation currency of the Republic of Ghana is the Ghana Cedi (GH¢). The financial statements are expressed in Ghana Cedi unless otherwise stated.

Transactions in currencies other than the functional currency (foreign currencies) are translated into Ghana Cedis at Bank of Ghana rates of exchange at the date of the transaction. The Bank of Ghana rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the Bank of Ghana rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the Bank of Ghana rate of exchange at the date on which the fair value was determined. Non-financial items measured at historical cost in a foreign currency are translated at rate prevailing at the date of measurement.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

The Financial Statements are presented in Ghana Cedis and all values are rounded to the nearest Ghana Cedi.

### 1.4 Revenue from Non-exchange Transactions

Revenues from non-exchange transactions, such as taxes and grants are recognized when earned. Non-exchange transaction is one in which the reporting entity receives something of value without directly giving value in exchange. Non-tax revenues of a non-exchange nature are revenues legally enforceable by legislative instruments paid directly to the reporting entity; such as property rate, basic rate, local authority levies and building permits.

### 1.5 Revenue from Exchange Transactions

Exchange transactions are those in which the entities sell goods or services in exchange for a consideration. Revenue comprises the fair value of consideration received or receivable for the



sale of goods or services. Local government entities recognize revenue when received except for entities with evidential certainty of receivables.

#### 1.6 Expenditures

The reported expenditure in the Statement of Financial Performance is recognized when incurred. Expenditures are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

Compensation of employees include international, national and general temporary staff salaries of public sector employees. The allowances and benefits include other staff entitlements, such as pension contributions and payments and other salary related allowances.

Use of Goods and services comprise of recurrent expenses incurred as a result of goods received and services rendered to public entities.

Interest expenses are finance costs incurred on loans acquired on domestic and external debts for the period.

Social benefits are expenses incurred as a result of social interventions carried out to benefit certain persons, communities and class of people in the society.

Other expenditure included contributions, professional fees, donations, court expenses, scholarships, bursaries, awards and rewards.

Foreign financed investments are project related expenses financed by foreign loans and grants.

#### 1.7 Property, Plant and Equipment

Property, plant and equipment are classified into different categories based on their nature, functions, useful lives and valuation methodologies, such as buildings, transport equipment, other machinery and equipment, other structures and infrastructural assets. Recognition of property, plant and equipment is as follows:

- (a) All property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and operational condition and the initial estimate of dismantling and site restoration costs;
- (b) With regard to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.
- (c) the cost of an asset acquired through a non-exchange transaction is determined at its fair value as at the date of acquisition.