



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF TSANDI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Village Council of Tsandi for the financial year ended 30 June 2019, 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, July 2020

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
TSANDI VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of Tsandi Village Council for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the annual financial statements.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Tsandi Village Council as at 30 June 2019 and its financial performance and their receipts and payments and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

2. BASIS FOR QUALIFIED AUDIT OPINION

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

- 2.1** The Tsandi Village Council used the proposed tariffs rate of N\$ 30 per square meter to value the head office land; instead of the current gazetted tariffs rate of N\$ 25 per square meter for virgin land. The value of the Head office - land is materially overstated during the current financial period 2018/19 by N\$ 127 920.
- 2.2** It was observed that the Council used un-gazetted tariff rates to measure its inventory; Ervens held for sale is materially understated during the current financial period 2018/19 by N\$ 5 684 736.
- 2.3** The Council did not perform reconciliation on the build together balance, since the takeover from Omusati Regional Council. Therefore, the value of the build together receivable amounting to N\$ 494 552, could not be substantiated during the current financial period.
- 2.4** The Council did not disclose provision for severance pay amounting to N\$ 87 040.
- 2.5** Leave provision disclosed in the financial statements was understated by N\$ 273 980, during the current financial period 2018/19. The differences were attributed by Council only taking into account the current portion (12 months) of leave provision, instead of the accumulated provision. In addition, the Council only took into account the basic salary in their computation, instead of the gross salary.

3. KEY AUDIT MATTERS

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

4. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, 1992 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.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue and auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies 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 my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.


I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

7. ACKNOWLEDGEMENT

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

WINDHOEK, July 2020


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**TSANDI VILLAGE COUNCIL
OPENING STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

ASSETS	Note(s)	<u>2019</u> N\$
Non-current assets		216 197 053
Property, plant and equipment	2	209 818 978
Intangible assets	3	144 374
Long-term receivables	4	494 552
Investments	5	5 739 149
Current assets		21 028 727
Inventories	6	13 070 215
Accounts receivables	7	416 982
Cash and cash equivalents	8	4 355 506
VAT Receivable		3 154 034
Prepayments	9	31 990
TOTAL ASSETS		<u>237 225 780</u>
EQUITY AND LIABILITIES		
Equity		233 686 615
Contributions to Capital		231 383 065
Funds and accounts		338 000
Accumulated surplus		1 965 550
Liabilities		
Current liabilities		3 539 165
Accounts payables	10	2 558 777
Provisions	11	106 640
Unearned revenue	13	468 104
Retention fees	12	405 644
TOTAL EQUITY AND LIABILITIES		<u>237 225 780</u>

TSANDI VILLAGE COUNCIL
STATEMENT OF SURPLUS OR DEFICIT FOR THE YEAR ENDED 30 JUNE

	Note(s)	2019
		N\$
REVENUE		9 517 184
Revenue from non-exchange transactions		3 305 246
Government & other departments transfers	14	2 347 471
Fees, fines, and certificates	15	16 000
Pledges	28	219 800
Permission to occupy		721 975
Revenue from exchange transactions		6 211 938
Service charges	16	3 346 123
Erven sales	17	789 680
Equipment hire and rent received	18	181 088
Surcharge - NORED	19	277 415
Other income	20	957 820
Interest received	21	659 812
EXPENSES		12 457 450
Employee costs	22	2 907 097
Remuneration Councillors	23	191 056
Provisions	11	106 640
Allowance for doubtful debts	7	2 171 453
Strategic plan development		145 908
Depreciation expense	2	1 557 495
Repairs and maintenance	24	776 407
Bulk water purchases		1 740 399
General expenses	25	1 778 718
Water - tax repayment		11 610
Council Trade Fair expenses		974 277
Computer software and licences	26	96 390
Surplus/(deficit) for the period		(2 940 266)

TSANDI VILLAGE COUNCIL

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

	Note(s)	Capital contributions	Funds and accounts	Accumulated surplus/deficit	Total
		N\$	N\$	N\$	N\$
Opening balance as at 01 July 2018	27	56 998 510	338 000	4 905 816	62 242 326
Surplus or deficit for the year		-	-	(2 940 266)	(2 940 266)
Government transfers		10 000 000	-	-	10 000 000
IPSAS ADJUSTMENTS:					
Recognition of undeveloped land		150 650 975	-	-	150 650 975
Recognition of developed land		13 733 580	-	-	13 733 580
Closing balance as at 30 June 2019		231 383 065	338 000	1 965 550	233 686 615

* Refer note 27 for adjustments to opening balances.

**TSANDI VILLAGE COUNCIL
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE**

	Note(s)	<u>2019</u> N\$
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus or (deficit) for the year		(2 940 266)
Prior period adjustments	29	4 470 726
Net cash flow from operating activities		<u>1 530 460</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Construction of infrastructure		(13 244 306)
Net cash flow from investing activities		<u>(13 244 306)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Government transfers		10 000 000
Net cash flow from financing activities		<u>10 000 000</u>
Net increase/(decrease) in cash and cash equivalents		1 713 846)
Cash & cash equivalents at the beginning of the period		6 069 352
Cash and cash equivalents at the end of the period		<u><u>4 355 506</u></u>

Cash and cash equivalents consist of balances with banks and short-term investments on call accounts. Cash and cash equivalents included in this cash flow statement comprise the statement of financial position amounts as per note 8.

Property, plant and equipment

During the period, the economic entity constructed property, plant, and equipment with an aggregate cost of N\$ 13 244 306.00 Cash payments to contractors amounted to N\$ 10 000 000.00 meeting conditions attached to government grants. There were 5 capital projects undertaken resulting an increase in retention fees due to obligations to contractors payable within 12 months from the end of the reporting period.

The entity has no undrawn balances for infrastructure projects.

ANNEXURE E

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance
	N\$	N\$	N\$	N\$	N\$	N\$	%
Statement of surplus or deficit							
Revenue: non-exchange transactions							
Government transfers	2 347 471		2 347 471	2 347 471	-	-	
Fees fines and certificates	18 500	-	18 500	16 000	-	(2 500)	-14%
Pledges	-	-	-	219 800	-	219 800	100%
Permission to occupy	500 000	-	500 000	721 975	-	221 975	44%
Sub-total	2 865 971	-	2 865 971	3 305 246	-	439 275	15%
Revenue: exchange transactions							
Service charges	2 324 000	-	2 324 000	3 346 123	-	1 022 123	44%
Erven sales	312 044	-	312 044	789 680	-	477 636	153%
Equipment hire and rent received	77 000	-	77 000	181 088	-	104 088	135%
Surcharge – NORED	250 000	-	250 000	277 415	-	27 415	11%
Other income	1 010 500	-	1 010 500	957 820	-	(52 680)	-5%
Interest received	190 000	-	190 000	659 812	-	469 812	247%
Sub-total	4 163 544	-	4 163 544	6 211 938	-	2 048 394	49%
Grand total	7 029 515	-	7 029 515	9 517 184	-	2 487 669	35%

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

Statement of surplus or deficit (continued)	N\$	N\$	N\$	N\$	N\$	N\$	%
Original Budget	N\$	Final adjusted budget	N\$	Actual outcome	N\$	Variance	Variance
Expenses							
Employee costs	3 073 210	-	3 073 210	2 907 097	-	166 113	5%
Repairs and maintenance	839 471	-	839 471	776 407	-	63 064	8%
Bulk purchases	1 400 000	-	1 400 000	1 740 399	-	(340 399)	-24%
General expenses	2 611 170	-	2 611 170	1 778 718	-	832 452	32%
Strategic plan development	280 000	-	280 000	145 908	-	134 092	48%
Water - tax repayment	-	-	-	11 611	-	11 611	-100%
Council Trade Fair expenses	863 000	-	863 000	974 277	-	-111 277	-13%
Computer software and licences	111 500	-	111 500	96 390	-	15 110	14%
Sub-total	9 178 351	-	9 178 351	8 430 807	-	747 544	8%
Councillors' costs							
Remuneration of Councillors	191 056	-	191 056	191 056	-	-	
Sub-total	191 056	-	191 056	191 056	-	-	

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

Statement of surplus or deficit (continued)	N\$	N\$	N\$	N\$	N\$	N\$	N\$	%
Original Budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance		
Items not forming part of cash basis of accounting								
Provisions	-	-	106 641	-	(106 641)			-100%
Allowance for doubtful debts	-	-	2 171 452	-	(2 171 452)			-100%
Depreciation expense	-	-	1 557 494	-	(1 557 494)			-100%
Sub-total	-	-	3 835 587	-	(3 835 587)			-100%
Grand Total	9 369 407	-	9 369 407	12 457 450	(3 088 044)			

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

CAPITAL BUDGET STATEMENT OF COMPARISON

	Original Budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance
	N\$	N\$	N\$	N\$	N\$	N\$	%
Capital expenditure and funds sources							
Total capital expenditure	-	-	-	-	-	-	-
Sources of capital funds							
Transfers recognised – capital	10 000 000	-	10 000 000	13 244 306	-	(3 244 306)	-32%
Public contributions and donations	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-
Total: Sources of capital funds	10 000 000	-	10 000 000	13 244 306	-	(3 244 306)	-32%

Analysis of variances

Items not forming part of cash budget basis

The Village Council's budget statement was prepared using the cash basis of accounting and the financial statements have been prepared using the accrual basis of accounting for the transitional period beginning with the adoption of IPSAS. As a result of the timing of IPSAS adoption the Village Council did not make budget provisions for the items set out under "items not forming cash basis of accounting". These items have contributed to the variance in the actual and budgeted figures at subtotal and grand total level.

TSANDI VILLAGE COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - (Continued)

Non-exchange revenue

Revenue from fees fines and certificates stands at 14% negative. The Village Council was established three years ago and is in the process of developing statistical data which could be used to aid budget preparation to improve accuracy of data and figures.

Revenue from permission to occupy rose 44% above budget figures of N\$ 500 000.00 to N\$ 721 975.00 which is attributable to an increase in home seekers within Tsandi Village Council area. The Village Council is anticipating improved budget forecasts to aid future planning and resource utilisation.

Exchange revenue

Revenue from exchange transactions has been higher than budgeted by 33% at subtotal level. The reporting of financial information using International Public Sector Accounting Standards requires that the Village Council improves its budgeting to reflect circumstances that are likely to obtain at year end.

Major revenue earners which resulted in higher than realistic targets were erven sales 153% equipment hire 135% and interest received 244%. These may not reflect a true performance of the Village Council as the budgeted figures may have been reasonably lower than targeted.

Revenue from both non-exchange and exchange transactions is 33% higher than budgeted at grand total level.

Expenses

At subtotal level the Village Council has operated within a 10% range below budgeted expenditure excluding items that do not form part of cash basis budgeting (refer first heading under "analysis of variances" above).

Bulk purchases represent water purchases in total and stand at 15% above budgeted amount of N\$ 1 400 000.00. This has been due to higher than anticipated demand as a result of an increase in consumption.

General expenses amounting to N\$ 1 778 718.00 are 32% below budgeted figures. This resulted in a compensatory effect at grand total level in relation to items of expenditure not on cash basis of accounting amounting to N\$ 3 835 588.00. The below budget level is attributable to classes of expenses namely Interim valuation Training electricity consumption among others. The nature of the expenses which fell below budget levels has been such that the service delivery objectives of the Village Council have not been hampered.

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

1. Basis of preparation and significant accounting policies

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

In its transition to accrual basis IPSAS Tsandi Village Council took advantage of exemptions that affect fair disclosure for reporting Property plant and equipment Inventories financial assets and financial liabilities and revenue in accordance with these assets'/liabilities respective IPSASs. As a result it 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.

Tsandi Village Council intends to recognise and/or measure its assets and liabilities as specified in IPSAS 33 paragraphs 39, 40 and 41 by 2021 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

Property Plant and Equipment inventory accounts receivables long term loans and Revenue have been reported in these transitional financial statements in accordance with the entity's previous accounting basis and the accounting policies applicable thereto. Where the application of previous accounting policies has resulted in inconsistencies in reporting or where accounting policies were not available the relevant items of assets or liabilities shall be reported using accounting policies that are compliant with IPSAS.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the Village Council Property plant and equipment revenue and liabilities shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to these items in accordance with IPSAS 33 paragraph 137 (a) which requires that the Village Council discloses progress made towards recognising measuring presenting and/or disclosing assets liabilities revenue and/or expenses.

1.1 Presentation currency and rounding

The financial statements are presented in Namibian dollars which is the Village Council's presentation and functional currency and all values including Councillors' remuneration disclosures in note 23 are rounded off to the nearest dollar.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

1.2 Changes in accounting policy

The accounting policies applied to all IPSASs that Tsandi Village Council has adopted are not consistent with all accounting policies applied in reporting financial information in the prior periods and beyond. IPSAS 3 allows a change in accounting policy where such a change:

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

1.3 Transitional exemptions that do not affect fair presentation

In its transitional financial statements the Village Council adopted the following IPSAS which do not affect fair presentation and applied their provisions in full unless stated otherwise;

IPSAS 1 Presentation of financial statements.

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

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

IPSAS 2 Statement of cash flows

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

IPSAS 19 Provisions contingent liabilities and contingent assets

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

TSANDI VILLAGE COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES**IPSAS 24 Presentation of budget information in financial statements**

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

The accounting policies which relate to the IPSASs set out above that the Village Council has adopted in presenting its financial information for the year beginning 01 July 2018 have been developed (where necessary) and form part of these financial statements.

1.4 Transitional exemptions that affect fair presentation

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

IPSAS 12 Inventories

IPSAS 16 Investment property

IPSAS 17 Property plant and equipment

IPSAS 29 Financial instruments: Recognition and measurement

IPSAS 31 Intangible assets

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

1.5 Significant judgements and sources of estimation uncertainty

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

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

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

Management has exercised the following significant judgements in applying accounting policies:

1.5.1 Provisions contingent liabilities and contingent assets

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets

1.5.2 Accounts receivables loans and other receivables

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

As a prudent precaution on accounts receivables management shall make an allowance for credit losses where an allowance for credit losses shall be shown as an expense in the statement of surplus or deficit. Accounts receivables shall be presented on the face of the statement net of allowance for receivables.

1.5.3 Allowance for slow moving obsolete or damaged inventory items

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

1.5.4 Useful lives of items of property plant and equipment

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

1.6 Offsetting

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

TSANDI VILLAGE COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES**1.7 Value added tax (VAT) on goods and services**

Items in the financial statements are stated exclusive of value added tax except for accounts receivables and accounts payables which are presented on a value added tax inclusive basis.

Where value added tax is not recoverable it forms part of the stated asset or expense.

Commitments or contingencies are disclosed exclusive of value added tax.

1.8 Budget information

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

The approved budget is prepared on cash basis and covers the financial period beginning 01 July 2018 and ending 30 June 2019.

Comparative information shall not be required for the budget

Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

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

1.9 Going concern

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

1.10 Revenue

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

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

1.11 Revenue from exchange transactions

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

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

Recognition

Rendering of services

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

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

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

When the outcome of a transaction involving the rendering of services cannot be estimated reliably revenue is only recognised to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

Sale of goods

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

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

Measurement

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

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings are not performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

1.12 Revenue from non-exchange transactions

Tsandi Village Council is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions for reporting periods beginning on a date within 3 years of first-time adoption of this standard. The Village Council IPSAS task force recommended the application of transitional provisions to the extent necessary to achieve compliance with this IPSAS.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

1.12 Revenue from non-exchange transactions (continued)

Amounts collected by the Council as agent of the government or other third parties do not meet the definition of revenue.

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

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

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

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

Taxes such as property rates are economic benefits or service potential compulsorily paid to the Village Council in accordance with laws and/or regulations. Taxes do not include fines or penalties imposed as a result of breaches of the law. The Village Council did not levy taxes for the year ended 30 June 2019 due to administrative matters relating to its establishment. The Village Council shall commence levying taxes for the subsequent year beginning 01 July 2019.

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

Recognition

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

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

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

1.13 Investments

The Village Council holds an equity instrument in NORED in accordance with IPSAS 28 Financial Instruments Presentation. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. IPSAS 33 provides that a first-time adopter applies the criteria in IPSAS 28 financial instruments classified as equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in IPSAS 28 (Paragraphs 13 and 35).

1.14 Property plant and equipment

The Village Council has adopted IPSAS as set out in the basis for preparation paragraph above. Amongst the IPSASs adopted is IPSAS 17 Property Plant and Equipment (PPE). The Village Council did not have an accounting policy for the recognition and measurement of items of PPE.

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

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

Recognition

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

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

TSANDI VILLAGE COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES**Initial measurement**

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

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

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

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

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

The cost of an item of PPE includes costs incurred initially to acquire or construct an item of PPE and costs subsequently incurred to add to and/or to replace part of the item of PPE. If a replacement cost is recognised in the carrying amount of an item of PPE the carrying amount of the replaced item of PPE is derecognised.

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

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

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

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

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

TSANDI VILLAGE COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment useful lives and depreciation method shall be reviewed annually and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Minor assets below N\$ 2 500.00 are not depreciated. They are expensed in the year of acquisition.

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

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

Gains or losses arising from the recognition of an item of PPE are recognised in the statement of surplus or deficit as other income. The gain or loss arising from the recognition of an item of PPE is determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item.

Assets which the Village Council holds for rental to others and subsequently routinely sells as part of the ordinary course of activities are transferred to inventories when the rentals and are available-for-sale.

These assets are not accounted for as non-current assets held for sale. Proceeds from sale of these assets are recognised as revenue. Profit or loss from the disposal of these assets are included in the cash flow statement under operating activities.

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

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

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

TYPE OF ASSET	DEPRECIATION METHOD	(AVERAGE) USEFUL LIFE
Land and Buildings	Straight line	50
Furniture and Fittings	Straight line	5
Computer & Office Equipment	Straight line	(5 - 10)
Plant and Machinery	Straight line	(5 -15)
Motor Vehicles	Straight line	5
Infrastructure	Straight line	50

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

1.15 Site restoration and dismantling costs

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

Measurement using the cost model:

- a) Subject to (b) changes in the liability are added to or deducted from the cost of the related asset in the current period;
- b) If a decrease in the liability exceeds the carrying amount of the asset the excess is recognised immediately in the statement of surplus or deficit;

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

Measurement using the cost model (continued):

- c) If the adjustment results in an addition to the cost of the asset the Village Council considers whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised the statement of accumulated surplus or deficit on the date of the adoption of IPSAS and/or in subsequent accounting periods within the transitional period.

The Village Council may rely on further guidance in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

1.16 Inventories

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

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

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

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

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

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

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

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an out flow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for the expenditures for which the provision was initially recognised
Provisions are not recognised for future operating deficits

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

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)

ACCOUNTING POLICIES

1.18 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical existence. An asset is identified as an intangible asset when it;

- It is capable of being separated or divided from the village council and sold transferred licensed rented or exchanged either individually or together with a contract asset or liability or
- Arises from contractual rights or legal rights regardless of whether those rights are transferable or separable from the village council or from other rights and obligations.

An intangible asset is recognised when;

- It is probable that future economic benefits or service potential that are attributable to the asset will flow to the village council; and
- The cost or fair value of the asset can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when based on all relevant factors there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets but they are tested for impairment annually and whenever there is an indication that there is impairment.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

1.20 Fruitless and wasteful expenditure

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

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

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

1.21 Conditional grants and receipts

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

1.22 Debt forgiveness

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

1.23 Bequests

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

1.24 Gifts and donations

Gifts and donations including goods in kind that satisfy the definition of an asset are recognised as assets and revenue when it is probable that future economic benefits or service potential will flow to the Village Council and the fair value of the assets can be measured reliably.

Measurement

An asset acquired through a non-exchange transaction shall initially be measured at its fair value at the date of acquisition.

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

1.25 Transfers

Transfers are measured at their fair value at the date of acquisition.

1.26 Fines

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

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (continued)**

ACCOUNTING POLICIES

1.27 Investments

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

1.28 Transfers

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

1.29 Cash and cash equivalents

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

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)**

2. Property plant and equipment

	2019	Carrying Value
	Deemed Construction /Acquisition Cost	Accumulated depreciation
	N\$	N\$
Land and Buildings	177 885 924	167 412
Furniture and fittings	428 908	77 725
Computer and Office equipment	191 489	155 164
Plant and Machinery	4 123 142	1 339 664
Motor vehicles	1 213 847	477 728
Infrastructure	29 536 783	1 343 422
	213 380 093	3 561 115
		209 818 978

The sewer and water infrastructure project in extension 3 and Tsandi Proper, commenced on 25 October 2016 when the Village Council had not registered with the Inland Revenue as a Value added tax vendor. The project's total cost was N\$ 3 582 521.00 inclusive of value added tax amounting to N\$ 462 965.00 which forms part of the sewer and infrastructure cost. All other capitalised infrastructure costs are exclusive of value added tax.

Forming part of infrastructure are land survey costs and township establishment costs. The Village Council capitalises such costs as they are costs incurred in bringing the asset to its present location and condition necessary for it to be capable of operating in the manner intended by management.

Sewer ponds constitute part of the assets donated to Tsandi Village Council by Omusati Regional Council at establishment of the Village Council. The sewer bodies (dams) spilled sewer into the surrounding environment evidencing impairment as a result of the dams' reduced carrying capacity than that which was initially intended. A third dam was constructed to mitigate the environmental effects of the sewage spill. The Village Council triggered laboratory tests on the sewer water and results indicated that levels of toxicity were very low to cause damage to animals or humans. There are no lawsuits arising from the spill and the Village Council did not make provisions in relation to this event.

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)**

2. Property plant and equipment (continued)		WIP (assets under construction)		Land	Buildings	Furniture & fittings	Computer & Office Equipment	Plant & Machinery	Investment in NORED	Motor vehicles	Infra-structure	Total
		N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance as at 01 July 2018		16 288 060	-	-	-	91 978	96 054	2 875 262	-	429 301	20 295 787	40 076 442
Additions		5 567 168	164 384 555	4 408 946	293 302	3 399	520 878	-	-	477 902	1 972 710	177 628 860
Disposals		-	-	-	-	-	-	-	-	-	-	-
		21 855 228	164 384 555	4 408 946	385 280	99 453	3 396 140	-	-	907 203	22 268 497	217 705 302
Transfers:		-	-	-	-	-	-	-	-	-	-	-
to PPE		(16 116 078)	-	9 092 424	-	-	-	-	-	-	6 433 974	(589 680)
to Investments		-	-	-	-	-	-	-	(5 739 149)	-	-	(5 739 149)
Other		-	-	-	-	-	-	-	-	-	-	-
Depreciation		5 739 150	164 384 555	13 501 370	385 280	99 453	3 396 140	(5 739 149)	907 203	28 702 471	211 376 473	
		-	-	(167 414)	(34 097)	(63 128)	(612 662)	-	-	(171 084)	(509 110)	(1 557 495)
Revaluations		-	-	-	-	-	-	-	-	-	-	-
Closing balance as at 30 June 2019		5 739 150	164 384 555	13 333 956	351 183	36 325	2 783 478	(5 739 149)	736 119	28 193 361	209 818 978	

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)**

2. Property plant and equipment (continued)

Tsandi Village Council adopted accrual basis IPSAS on 01 July 2018 and elected transitional exemptions in IPSAS 33 that allows it to use a deemed cost and a period of up to 3 years in which to measure property, plant, and equipment. Tsandi Village Council took advantage of these exemptions in determining a deemed cost for its items of property, plant, and equipment.

The Village Council inherited infrastructure from Omusati Regional Council and amongst the assets handed over to Tsandi was a Non-clogging Self-Priming Sewage Pump Model 6 (Serial Number ON11526418) Impellor which according to management's assessment has reached its useful life. Management has reached a decision to write-off the sewer pump machine due to breakdowns that result in out-of-pocket expenses.

The sewer pump machine is being kept on the asset register at a dollar value and has been replaced by Elsumo Bare Shaft SP Sewage Pump SP6 Impellor which forms part of new additions to Plant & Machinery on the asset register.

3. Intangible assets

	2 019	
	Accumulated	Carrying
	amortisation	amount
N\$	N\$	N\$
Billing system - software	42 000	42 000
Microsoft Dynamics starter pack - software	102 374	102 374
	144 374	144 374

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)**

3. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Carrying value at beginning of year	Acquisitions	Disposals	Amortisation	Total
	N\$	N\$	N\$	N\$	N\$
Billing system - software	42 000	-	-	-	42 000
Microsoft Dynamics starter pack - software	102 374	-	-	-	102 374
	144 374	-	-	-	144 374

Intangible assets are tested for impairment annually and no indication of impairment has been identified to date. The intangible asset comprises of Microsoft Dynamics accounting system acquired by the Village Council in June 2016 following its establishment as a local authority. The Intangible asset operates with a group of assets (computers, servers and other accessories) which have accordingly been accounted for and classified under property, plant, and equipment.

4. Long term receivables

These are receivables primarily from the Build Together program in which the Village Council in conjunction with the government of Namibia jointly funded home ownership for residents through the Village Council providing erven and the government advancing funds for construction of housing units. Tsandi Village Council inherited the Build Together scheme from Omusati Regional Council where upon establishment of the Village Council, custody of the scheme was also transferred. Build Together loans have a repayment period of 20 years with maximum loan of N\$ 40 000 per individual qualifying for the low-income housing scheme. Build Together loans have an average of 10.625% interest per year.

2019
N\$
494 552
494 552

Long term receivables - Build Together

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

5. Investment in NORED

The investment in NORED consist of a transfer of Tsandi Village Council electrical infrastructure with a cost of N\$ 5 739 149 which shall be represented by a nominal value of N\$ 100 as equity contribution in NORED. The Village Council receives a monthly surcharge of 0.02 cents/kwh of units sold every month. The electrical infrastructure which represents the investment in NORED was a construction undertaking commenced on 04 June 2018 and ended on 06 March 2019.

6. Inventories

The Village Council recognises inventory held in its warehouse at cost less impairment losses. IPSAS 33, First time adoption of accrual basis IPSAS allows the Village Council to measure its inventories within a 3-year transition period though the nature of the inventories held under current assets are realisable, consumable, and/or saleable or usable within the Village Council's normal annual operating cycle.

	2019
	N\$
	13 070 215
Serviced erven	12 966 060
Stores	83 290
Sundries	20 865

	NO. of erven	Size of land occupied by erven	Price per square metre per valuation roll	Total value
		SQM	N\$	N\$
Tsandi Extension one	107	202 367	30	6 071 010
Tsandi Extension three	57	37 392	25	934 800
Tsandi Proper	235	198 675	30	5 960 250
				12 966 060

7. Accounts receivables

The allowance for doubtful debts of N\$ 2 171 453 covers 100% of the amounts owed by combined billing debtors that are in bankruptcy or have applied for a suspension of payments as well as receivables older than three months (90 days+). No debtors have applied for suspension of payments and nothing has come to the attention of the Village Council that debtors are in bankruptcy.

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)

	2019
	N\$
7. Accounts receivables (continued)	416 982
Accounts receivables - combined billing	2 588 435
Allowance for bad debts	(2 171 453)

8. Cash and cash equivalents

Cash and cash equivalents amounted to N\$ 4 355 506 as at 30 June 2019. Short term investments with financial institutions are call accounts with Standard Bank, Namibia and First National Bank.

Name of Bank	Nature of account	Account balance
Total cash and cash equivalents		4 355 506
Petty cash		21
		4 355 485
Standard Bank Namibia	Call account	2 383 618
Standard Bank Namibia	Operational account	646 194
Standard Bank Namibia	Operational account	267 542
Standard Bank Namibia	Call account	414 580
Standard Bank Namibia	Operational account	16 266
First National Bank	Call account	540 093
First National Bank	Operational account	87 192

9. Prepayments

Prepayments relate to vehicle licences that were purchased, but had not expired as at 30 June 2019. Major contribution to prepayments is from the Power Star truck with an annual licence fee of N\$ 40 284.

		31 990
Flexian - Hydro blaster	N9607UP	522
Power Star	N9710UP	30 213
Toyota Fortuner	N10864UP	1 035
Venter Super	N10760UP	220

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)

	2019
	N\$
10. Accounts payables	
<p>All accounts payables are due within 12 months from the end of the 30 June 2019 financial year. Total due to Teya of N\$ 2 599 506 includes the trade creditors' amount of N\$ 2 367 927 and N\$ 231 579 retention fees held by the Village Council.</p>	
	2 558 777
Trade creditors	2 557 277
Trade Fair	1 500
Trade creditors	
	2 557 277
Accounts payables as per ledger	549
Teya 18 Jase JV	2 367 927
Nampost	7 100
Nored (power utility)	21 379
Namwater	154 740
Bank Windhoek	4 452
Agrippina Shikongo	260
Rebbeka Nuule	290
Gabriel Iikela	290
Loide Shikulo	290

11. Provisions

Following the adoption of International Public Sector Accounting Standards, Tsandi Village Council has in accordance with IPSAS 19, determined that leave pay exists at year end as a legal obligation deriving from Personnel rules: Local Authorities Act 1992, rule 27 (2) (leave pay). The big bath of N\$ 106 640 has hit the statement of surplus or deficit due to years of operation (from the Village Council's establishment in year 2016) where leave provision was not accounted for prior. The timing of the outflow of resources for the total amount of the provision outstanding per statement of financial position date is uncertain.

Leave pay provision

Leave provision	106 640
	106 640

There were no claims by third parties against the Village Council, and no provisions in relation to this have been made.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

	2019
	N\$
12. Retention fees	
Retention fees are amounts outstanding on projects undertaken by four different contactors pending remedying of any structural faults/defects that may develop on constructed assets. All retention fees are due within one year from date of completion of the project.	
	405 644
Office building	231 579
Water phase 4	20 228
Electricity	129 953
Dumpsite construction	23 884
13. Unearned revenue	
Unearned revenue consists of customer with credit balances arising from payments on accounts made in advance as at 30 June 2019. As at year end, the Village Council had not offered products or services of equal value to the customers in exchange.	
Unearned revenue as at 30 June 2019	468 104
Accounts receivables (inclusive of advance customer payments)	2 587 270
Accounts receivables (exclusive of advance customer payments)	(2 119 166)
14. Government and other departments transfers	
The Village Council has consumed the service potential embodied in grants transferred by the government in line with the stipulated conditions. Grant transfers were from Government (capital grants) and Road Fund Authority (for road maintenance).	
Total transfers	12 347 471
Government transfers - capital	10 000 000
	2 347 471
Government transfers - operational	2 000 000
Road Fund Authority	347 471
15. Fees, Fines and Certificates	
	16 000
Illegal operations	1 050
Fitness certificates	14 950

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)

	2019
	N\$
16. Service charges	
Total service charges	3 346 123
Operational service charges	3 201 754
Water consumption	2 527 457
Sewerage	225 985
Refuse removal	448 312
Other service charges	144 369
Sewer blockade	50
Water connection	22 050
Garden refuse	88 406
Sewer connection	600
Street cleaning	33 263
17. Erven sales	
<p>The Village Council permitted development and construction of structures (houses and other) on erven sold on account. The substance of the arrangement is a sale as all the risk and rewards of ownership have been transferred to the purchaser. As per IPSAS 9 paragraph 31, The Village Council retain title on erven for the collectability of revenue and, has recognised revenue from sales of erven during the financial period ending 30 June 2019.</p>	
Erven sales	789 680
	789 680
18. Equipment hire, and rent received	
	181 088
Equipment hiring	149 853
Portable toilets hiring	3 750
Portable toilets hiring	2 503
Open market rentals	24 982

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

		2019
		NS
19. Surcharge (NORED)		
	Date as per Surcharges Payment Certificate	Amount paid
		277 415
	Jul-18	22 071
	Aug-18	23 368
	Sep-18	22 430
	Oct-18	23 152
	Nov-18	24 014
	Dec-18	23 278
	Jan-19	22 386
	Feb-19	23 399
	Mar-19	22 879
	Apr-19	24 770
	May-19	23 206
	Jun-19	22 462
20. Other income		957 820
	Tender fees	12 980
	Photocopying & fax revenue	531
	Building plans	2 126
	Building sand	167 083
	Bill-boards advertisements	2 400
	Marketing and promotion	33 487
	Kilometre income	7 216
	Dairy books	980
	Administrative fees	1 556
	Other	2 848
	Sundry income	5 638
	Trade Fair	720 975

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

	2019
	N\$
21. Interest received	659 812
Trade Fair Account	5 659
Operational Account 1	749
Call Account	212 307
Operational Account 2	122
Build Together Bank account	14 619
Overdue accounts	426 356
22. Employee costs	2 907 097
Salary	1 481 422
Service Bonus	125 906
Social Security Contribution	11 174
Medical Aid Contribution	343 812
Pension Fund Contribution	326 209
Car Allowance	89 316
Cell phone Allowance	14 400
House Allowance	344 816
Transport Allowance	114 276
Overtime	32 216
Standby Allowance	23 550
23. Councillors' remuneration	191 056
Chairperson	45 746
Vice- Chairperson	40 364
Council Member	34 982
Council Member	34 982
Council Member	34 982

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

	2019
	N\$
24. Repairs and maintenance	776 407
Buildings	33 525
Office furniture and equipment	2 860
Sewage line, pumps and old oxidation ponds	26 917
Plant, machinery and equipment	46 207
Fuel and oil	249 219
Vehicles	33 999
Dumping site	23 720
Roads maintenance	359 960
25. General expenses	1 778 718
Municipal association contribution	20 700
Entertainment	15 635
Travel and subsistence	274 140
KM Claim	97 469
HIV/AIDS Activities	1 317
Advertising and marketing	154 541
Donations	14 900
Staff training	46 568
Infectious disease control	8 907
Accounting fees and Consultations	92 478
Insurance	113 054
Interim valuation	56 250
Rental of office space	35 891
Protective clothing	15 670
Vehicle and machinery licences	40 887
Cleaning	30 061
Security services and alarm	62 400
Utilities	5 942
Telephone and fax	105 270
Printing and stationery	69 531
Trade Fair	6 500
Electricity consumption	247 493
Contract of services	137 000
Bank charges	108 902
Cell phone allowance	8 400

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

	2019
	N\$
25. General expenses (continued)	
Flags	986
Accessories	3 594
Hammer chipping	42
Helmet auto darkening	510
Glove leather	86
Data track extension top	1 596
Black paper tray	1 998
26. Computer software licences	
	96 390
Computer licences and software fees	4 890
GP Licence and services	91 500
27. Prior period adjustments	
Adjusted accumulated surplus/(deficit) as at 01 July 2018	4 905 816
Accumulated surplus as at 30 June 2018	28 073 034
Adjustments for:	
Government subsidies 2017	(16 089 560)
Government subsidies 2018	(8 000 000)
Depreciation sewer ponds	(30 961)
Depreciation - moveable toilets	(1 284)
Moveable toilets	14 666
Dumpsite fencing - WIP	274 332
Inventory	51 486
Electrical infrastructure costs	171 982
Survey extension 2,4, 5, & 6	240 415
Intangible assets	144 374
Refuse Street pole Bins	39 392
NORED - Unrecorded income	22 403
Township establishment - depreciation	(3 289)
Township establishment - depreciation	(1 174)

*Adjusted opening accumulated surplus taken to statement of changes in net assets/equity.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

27. Prior period adjustments (Continued)

Government subsidies 2017 and 2018

Reclassification of capital grants transferred to the Village Council in 2017 (N\$ 16 089 560.00) and 2018 (N\$ 8 000 000.00) to equity.

Depreciation sewer ponds

At handing over of assets from the Regional Council, sewer ponds were understated by N\$ 774 040.00 resulting in depreciation of N\$ 30 962.00 attributable to the understated value not being matched with the annual consumption of the sewer ponds.

Depreciation moveable toilets

Correction of an error arising from non-charging of depreciation of N\$ 1 284.00 on moveable toilets which were expensed instead of capitalising.

Moveable toilets

Correction of a prior period error that resulted in moveable toilets amounting to N\$ 14 666.00 being recognised as an expense.

Dumpsite fencing – WIP

Correction of a prior period error that resulted in the recognition of dumpsite fencing amounting to N\$ 274 332.00 as an expense instead of an asset.

Inventory

Correction of prior year expensed inventory amounting N\$ 51 486.00.

Electrical infrastructure costs

Correction of a prior year error that resulted in electrical infrastructure costs amounting to N\$ 171 982.00 being expensed instead of debiting assets under construction.

Land survey extension 2, 4, 5 & 6

Correction of capital expenditure amounting to N\$ 240 415.00 that was accounted for as revenue expenditure in the prior year. These are costs incurred in bringing the asset to its present location and condition necessary for it to be capable of operating in the manner intended by management.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

27. Prior period adjustments (Continued)

Intangible assets

Reversal of intangible assets amounting to N\$ 144 374.00 erroneously expensed in the year of purchase.

Refuse Street pole Bins

Correction of an expense on refuse street pole bins amounting to N\$ 39 392.00 not accounted for in the correct accounting period.

Unrecorded income

Restatement of NORED surcharge amounting to N\$ 22 403.00 not accrued in the prior year.

Township establishment

Depreciation amounting to N\$ 4 463.00 not charged in the prior year due to Township establishment capital expenditure having been accounted for as an expense.

Adjustments to net assets/equity

Net assets/equity

	2019
	N\$
Adjusted net asset / equity as at 01 July 2018	56 998 510
Closing contributions to capital 30 June 2018	20 307 083
Adjustments for:	-
Government subsidy 2017 reclassified to equity	16 089 560
Government subsidy 2018 reclassified to equity	8 000 000
IPSAS Adjustments	12 601 867

Reclassification of government subsidies earmarked for capital projects that were accounted for as revenue for the financial years ended 30 June 2017 and 30 June 2018. During the transitional period ending 30 June 2021, the Village Council shall ensure all necessary adjustments to fully comply with IPSAS are performed, and where the cost outweighs the benefit, the Village Council shall amortise all adjustments to accumulated surplus.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)**

2019

N\$

28. Contingent assets

The Village Council recorded pledges from individuals amounting to N\$ 314 400.00 and of these pledges, an amount of N\$ 219 800.00 was received by the Village Council in honour of the pledges, and N\$ 94 600.00 had not yet been received as at 30 June 2019. The Village Council as the recipient entity cannot control the access of the transferor to the service potential embodied in the pledges. The outstanding amount of N\$ 94 600.00 only warrants disclosure to note and the Village Council does not recognise an asset or revenue.

29. Reconciliation of Net cash flows from operating activities to surplus/deficit

Net cash movements	4 470 726
Surplus / Deficit	(2 940 267)
Non-cash movements	
Depreciation	1 557 494
Allowance for doubtful debts	2 171 453
Provisions relating to employees	106 641
Increase in accounts payables	2 030 245
Decrease in accounts receivables	(123 040)
Increase in inventory	(104 155)
Other working capital movements	312 515
Unknown movements	1 459 840

Reconciliation of working capital movements

Working capital comprise of accounts receivables, accounts payables, inventory, and other non-recurrent working capital elements held by the Village Council as at 30 June 2019. As a result of IPSAS adoption, management is working on working capital components to improve their reliability.

Accounts payables

Increase	2 030 245
Accounts payables as at 30 June 2018	528 532
Accounts payables as at 30 June 2019	2 558 777

TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019 (continued)

ANNEXURE E

	<u>2019</u>
	N\$
Reconciliation of working capital movements (continued)	
Accounts receivables	
Decrease	
Accounts receivables as at 30 June 2018	(123 040)
Accounts receivables as at 30 June 2019	2 711 475
	2 588 435
Inventory	
Stores as at 30 June 2019	
Stores	104 155
Sundry wares	83 290
	20 865
<p>*Inventory value of N\$12 966 060.00 relates to erven valued at lower of cost and net realisable value. The lower of cost and net realisable value was a value determined as per the Village Council valuation roll. This value does not constitute a cash movement and as a result does not form part of cash flows.</p>	
Other working capital movements	
Increase	
Retention fee	312 515
Unearned revenues	405 644
VAT movement	468 104
	(561 233)
<p>Other working capital movements comprise of retention fees held by the Village Council, unearned revenues where the Village Council received cash from customers which the Village Council has yet to match with an equal exchange of value. Value added Tax movements are a difference as shown below:</p>	
Increase	
VAT Receivable 30 June 2018	(561 233)
Value added tax receivable - 2019	2 592 801
	(3 154 034)

