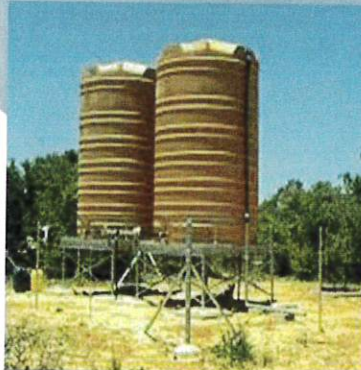




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF TSANDI

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Village Council of Tsandi for the financial year ended 30 June 2020 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, April 2022

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

1. QUALIFIED AUDIT OPINION

I have audited the financial statement of Tsandi Village Council for the financial year ended 30 June 2020. These financial statements comprise the statement of financial position, statement of Surplus or Deficit, statement of change in net asset/equity, statement of cash flows and notes to the annual financial statement.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statement present fairly, in all material respects the financial position of the Tsandi Village Council as at 30 June 2020 and its financial performance and their receipts and payments and cash flows for the year ended in accordance with International Public Sector Accounting Standard (IPSAS).

2. BASIS FOR QUALIFIED AUDIT OPINION

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

2.1 OPERATING EXPENSES

An invoice amounting to N\$ 94 783 (excluding VAT) from Bulldog Trading Cc, that supplied and installed electrical materials was wrongly processed as an expense, rather than capitalized.

2.2 JOURNALS

A Material Payment Journals amounting to N\$ 1 393 202 which was processed in the Councils records was not verified nor approved.

2.3 PLEDGE AND DONATION INCOME

Donation and pledge income of N\$ 1 296 435 disclosed in the profit and loss account for the current financial year, it was observed that an amount of N\$ 751 475 pertains to the 2018/19 financial year and was carried forward as an opening balance. This resulted in the overstating of the pledges/donation income for the year under review.

2.4 ABSENCE OF INVENTORY MANAGEMENT POLICY

The auditors observed that the Council does not have an approved accounting policy adopted in measuring inventories, including the cost formula used in place for the period under review. This has made it difficult for the auditors to recalculate and confirm the correctness of the amount of N\$ 10 815 164 disclosed in the financial statements.

3. KEY AUDIT MATTERS

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

4. AUDIT OF PERFORMANCE INFORMATION

The auditors observed that the Council does have an approved strategic plan in place. Upon the review of the Council's strategic plan, it was noted that the Council did not implement any of the planned KPI's.

5. 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 the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 for overseeing the entity's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes the audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

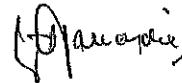
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

8. ACKNOWLEDGEMENT

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

WINDHOEK, April 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TSANDI VILLAGE COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

ANNEXURE A

	Note	2020 N\$	2019 N\$
ASSETS			
Current assets			
Cash and cash equivalents	5	23 077 277	17 937 594
Accounts receivables	6	5 499 220	4 355 506
Pledges receivable	7	2 158 663	911 534
VAT Receivable	8	230 000	-
Inventories	9	4 341 032	3 154 034
Prepayments	10	10 815 164	9 484 530
		33 198	31 990
Non-current assets			
Property, plant, and equipment	2	225 735 614	217 378 121
Intangible assets	3	219 693 218	211 494 598
Investments	4	173 294	144 374
		5 869 102	5 739 149
Total assets		248 812 891	235 315 715
LIABILITIES			
Current liabilities			
Accounts payables: Exchange transactions	11	1 204 659	3 539 165
Accounts payables: Non-exchange transactions		22 000	2 558 777
Accrued expenses	12	102 159	-
Employee provisions	13	149 614	-
Unearned revenue	14	360 692	106 641
Other creditors	15	308 144	468 104
Retention fees	16	10 243	-
		251 807	405 644
Non-current liabilities			
Long term liabilities		-	-
		-	-
Total Liabilities		1 204 659	3 539 165
Net assets		247 608 232	231 776 549
NET ASSES/EQUITY			
Funds and accounts		957 695	338 000
Accumulated surplus / deficit		246 650 536	231 438 549
Total net assets/equity		247 608 232	231 776 549

TSANDI VILLAGE COUNCIL
STATEMENT OF SURPLUS OR DEFICIT FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 N\$	2019 N\$
Revenue		10 009 436	6 187 326
Revenue from exchange transactions			
Service charges	17	3 448 817	3 346 123
Sales of erven	18	2 122 891	789 680
Rental income	19	200 363	181 088
Surcharge income	20	236 998	235 803
Fitness certificates		23 100	16 000
Permission to occupy	21	438 828	721 975
Donations	22	2 375 000	-
Profit on cell phone disposal	2	583	-
Other revenue	23	270 959	236 845
Interest	24	891 896	659 812
		17 114 074	13 288 240
Revenue from non-exchange transactions			
Transfers from the government of Namibia	25	12 434 581	9 999 994
Transfers from other government departments	25	1 039 825	2 347 471
Property rates and taxes	26	2 343 183	-
Pledges	7	1 296 435	940 775
Penalty fees		50	-
		27 123 509	19 475 565
Total revenue			
		11 911 522	12 457 450
Expenses			
General and administrative expenses	27	2 594 593	2 995 293
Employee costs	28	2 963 764	2 907 097
Councillors' remuneration	29	191 056	191 056
Repairs and maintenance	30	652 356	776 407
Bulk water	31	1 693 219	1 740 399
Depreciation	2	2 255 031	1 557 494
Impairment	32	29 344	-
Regional Council 5% Levy		117 159	-
Donations		2 000	-
Increase in leave Provision	13	180 273	106 641
Bonus Provision	13	73 778	-
Increase in allowance for bad debts	6	1 158 949	2 171 453
Water -tax repayment		-	11 611
		15 211 987	7 018 115
Surplus for the year			

TSANDI VILLAGE COUNCIL

ANNEXURE C

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

	Note	Funds and accounts N\$	Accumulated surplus/deficit N\$	Total net assets/equity N\$
Opening balance as at 01 July 2018		338 000	61 904 332	62 242 332
Surplus or deficit for the year		-	7 018 115	7 018 115
Other movements			41 612	41 612
IPSAS ADJUSTMENTS:				
Recognition of undeveloped land		-	150 650 975	150 650 975
Recognition of developed land		-	13 733 580	13 733 580
Prior year adjustments:	33			
Inventory		-	(3 585 685)	(3 585 685)
Movements - PPE		-	1 675 620	1 675 620
Sub-total		-	169 534 217	169 534 217
Balance as at 01 July 2019		338 000	231 438 549	231 776 549
Surplus or deficit for the year		619 695	15 211 987	15 831 683
Sub-total		619 695	15 211 987	15 831 683
Net assets / equity as at 30 June 2020		957 695	246 650 536	247 608 232

The economic entity has reconsidered the inclusion of "Contribution to capital" under equity as a line item while maintaining "funds and accounts" as well as "accumulated surplus or deficit" as descriptions of equity line items. All amounts presented under "contribution to capital" have been transferred to accumulated surplus or deficit. It is management judgement that, the provisions of IPSAS 1, presentation of financial statements, paragraph 95 and 96 denote "share capital".

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

CASH FLOW FROM OPERATING ACTIVITIES

		2020	2019
	Note	N\$	N\$
Surplus / deficit		15 211 987	7 018 115
Adjustments	34	(17 213 364)	(7 835 120)
Net cash flow from operating activities		(2 001 376)	(817 005)

CASH FLOW FROM INVESTING ACTIVITIES

Construction of infrastructure		(10 200 628)	(13 244 306)
Proceeds from sale of plant and equipment		1 313	-
Government transfers		13 344 405	12 347 465
Net cash flow from investing activities		3 145 090	(896 841)

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of borrowings		-	-
Dividend paid to government		-	-
Net cash flow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		1 143 714	(1 713 846)
Cash & cash equivalents at the beginning of the period		4 355 506	6 069 352
Cash and cash equivalents at the end of the period		5 499 220	4 355 506

Cash and cash equivalents consist of balances with banks and deposits on call. Deposits on call are redeemable in less than 7 days. During the financial year, the economic entity undertook one project relating to infrastructure construction in extension 6. The project was on going as at the end of the financial year.

There were no unspent balances for capital projects at the end of the financial year.

TSANDI VILLAGE COUNCIL

ANNEXURE E

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 2020
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original Budget	Fin adjusted budget	Actual outcome	Variance	Variance %
	N\$	N\$	N\$	N\$	
Statement of surplus or deficit					
Revenue: exchange transactions					
Service charges	2 805 000	2 805 000	3 448 817	(643 817)	-23%
Sales of erven	2 900 000	2 900 000	2 122 891	777 109	27%
Rental income	79 200	79 200	200 363	(121 163)	-153%
Surcharge income	260 000	260 000	236 998	23 002	9%
Fitness certificates	17 200	17 200	23 100	(5 900)	-34%
Permission to occupy	200 000	200 000	438 828	(238 828)	-119%
Donations	-	-	2 375 000	(2 375 000)	-100%
Profit on cell phone disposal	-	-	583	(583)	-100%
Other revenue	65 395	65 395	270 959	(205 564)	-314%
Interest	290 000	290 000	891 896	(601 896)	-208%
Sub-total	6 616 795	6 616 795	10 009 436	(3 392 641)	-51%
Revenue: non-exchange transactions					
Government of Namibia	12 600 000	12 600 000	12 434 581	165 419	1%
Other government departments	912 500	912 500	1 039 825	(127 325)	-14%
Property rates and taxes	400 000	400 000	2 343 183	(1 943 183)	-486%
Pledges	-	-	1 296 435	(1 296 435)	-100%
Penalty fees	1 050	1 050	50	1 000	95%
Sub-total	13 913 550	13 913 550	17 114 074	(3 200 524)	-23%
Grand total	20 530 345	20 530 345	27 123 509	(6 593 164)	-32%

ANNEXURE E

**TSANDI VILLAGE COUNCIL
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 2020 (Continued)**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget N\$	Fin adjusted budget N\$	Actual outcome N\$	Variance N\$	Variance %
Expenses					
General and administrative expenses	2 989 200	2 989 200	2 594 593	394 607	13%
Employee costs	3 773 352	3 773 352	2 963 764	809 588	21%
Councillors' remuneration	191 056	191 056	191 056	-	0%
Repairs and maintenance	1 095 000	1 095 000	652 356	442 644	40%
Bulk water	1 400 000	1 400 000	1 693 219	(293 219)	-21%
Depreciation	-	-	2 255 031	(2 255 031)	100%
Impairment	-	-	29 344	(29 344)	100%
Regional Council 5% Levy	15 000	15 000	117 159	(102 159)	-681%
Donations	20 000	20 000	2 000	18 000	90%
Increase in leave Provision	121 000	121 000	180 273	(59 273)	-49%
Bonus Provision	-	-	73 778	(73 778)	100%
Increase in allowance for bad debts	-	-	1 158 949	(1 158 949)	100%
Total expenses	9 604 608	9 604 608	11 911 522	(2 306 914)	-24%
Surplus or deficit	10 925 737	10 925 737	15 211 987	(4 286 250)	-39%

**TSANDI VILLAGE COUNCIL
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 2020 (Continued)**

ANNEXURE E

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget N\$	Fin adjusted budget N\$	Actual outcome N\$	Variance N\$	Variance %
Transfers recognised - capital	12 434 581	12 434 581	12 434 581	-	0%
Capital expenditure and funds sources					
Total capital expenditure	17 522 555	17 522 555	12 757 210	4 765 345	27%
Sources of capital funds					
Transfers recognised - capital	12 434 581	12 434 581	12 434 581	-	0%
Internally generated funds	5 105 575	5 105 575	322 629	4 782 946	94%
Total: Sources of capital funds	17 540 156	17 540 156	12 757 210	4 782 946	27%

The capital budget statement is supported by the capital budget distribution schedule set-out below.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

CAPITAL BUDGET DISTRIBUTION SCHEDULE

	2020 N\$
Capital budget	17 522 555
Computer Equipment	160 000
Office Furniture & Fittings	150 000
Purchase New Cell Phone	4 000
Construction of Services (Sewer Reticulation) Ext 6	5 000 000
Construction of Services (Water Reticulation Phase 1) Ext 6	1 000 000
Construction of Services (Electrical Reticulation Phase 1) Ext 6	2 000 000
Town Planning Fees (Committed for Win-plan)	708 818
Land Surveying & Beacon Relocation	2 000 000
Construction of Council Offices Parking	170 000
Construction of Build Together Houses	414 970
Streets, Sidewalks, Graveling & Stormwater	1 000 000
Dumping Site Phase 2 (Provision of Access Roads & Trenches)	371 000
Refuse Bins (Street Pole Bins)	60 000
Sewerage Pump Machine & Equipment	50 000
Construction of Technical Warehouse	145 000
Water Prepaid system & meters	250 000
Street Light Tsandi Proper Portion	1 424 260
Construction of Village Council Office	2 599 507
PA system	15 000
	630 677
Retention fees	56 197
Dumping Site (Tekamo Investment cc)	131 372
Sewer Phase 2(KSP Property)	49 013
Water Phase 3(Cascades Enterprise)	20 228
Water Phase 4 (Cheetah Manufacturing & Investment cc)	142 288
Electrical (Bulldog Trading cc)	231 579
Village Council Office	18 153 232
Total capital outlay budget	
	231 000
BUDGETED AMOUNTS NOT SPENT	5 000
Accessories	100 000
Sewerage Lines & Electric Pump Machines	80 000
Uniform (Sport wear) NALASRA & others	6 000
Utilities	10 000
HIV/AIDS and Wellness Programme	30 000
VAT, Interests, Penalties & Gazetting	

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

The Village Council budgeted expenses amounting to N\$ 231 000 which were not incurred during the financial year. The biggest amount not spent relates to sewerage lines and electric pump machines, which were not purchased after the Village Council reconsidered delaying the expenditure, as there would be no immediate effect on the sewer reticulation that could translate to reduced service delivery. The Village Council intends to refine its budget forecasts in line with the IPSAS framework. All the amounts not spent did not result in reduced service delivery to the community in which the Village Council serves.

COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS**Revenue from exchange transactions****Service charges**

The 23% favourable budget excess is attributable to new occupations where basic water, and basic sewer become chargeable whether it's land sale or on permission to occupy basis.

Land sales

This is due to unanticipated low demand for serviced plots.

Rental income

Major movement is attributable to the hiring of equipment, which is irregular from year to year. The Village Council's forecast resulted in under budgeting of the vote.

Donations

The donation was a fire truck, which the Village Council did not anticipate during the financial year.

Other revenue

The 314% increase is attributable to an increase in the demand for building sand. Sand sales do not have an annual pattern of demand and the Village Council did not anticipate a steep rise in sales during the year.

Interest

78% of the total interest is attributable to interest charged on overdue accounts. The Village Council did not anticipate a steep rise in accounts receivables with COVID19 being another contributing factor.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

Total revenue from exchange transactions

At subtotal level, the variance stands at 50% above budget revenue levels, which is a positive performance on revenue collection.

Revenue from non-exchange transactions

Other government departments transfers

The 14% variance is as a result of the audit grant from the Office of the Auditor - General which comes in form of services in-kind.

Property rates and taxes

The favourable variance is due to an inaccurate forecast of revenue from property rates and taxes as the year under reporting was the first financial year to collect revenue from property, rates and taxes.

Pledges

The Village Council did not anticipate accurately the amount of pledges to be received during the financial year.

General expenses

The 14% variance is due to a general increase in prices of goods and services. Further, electricity charge out, Trade Fair expenses, and Km claim were major contributors to variance as more resources were spent during the financial year.

Employee costs

The vote was 21% overbudgeted due to the anticipation of recruiting new employees, which did not happen during the financial year.

Repairs and maintenance

Fuel and oil usage during the year was depressed due to restrictions on travel. Some service and repair work due to breakdowns was not performed as less breakdowns than anticipated were experienced.

ANNEXURE E

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

Bulk water

Bulk water purchases were higher than anticipated as compared to previous years. Covid19 had contributory effects as water usage increased in response to matters relating to hygiene and health.

Depreciation

The Village Council did not budget for this expense and hopes to move towards full accrual basis IPSAS in order to make considerations for non-cash transactions.

Impairment

The Village Council did not anticipate the nature of the impairment and considerations are being made for new types of expenses that the Village Council never handled in the past.

Regional Council levy

The Village Council anticipated collecting N\$ 400 000 in rates and taxes as it was the first instance to charge rates and taxes. The forecast collection was not accurate, and this affected the budgeted levy for the year.

Leave and bonus provisions

Employees of the Village Council take leave and at indeterminable dates and the increase in leave, provision was under budgeted. The bonus provision was recognised for the first time in the Village Council's books.

Allowance for bad debts

The vote was not budgeted due to the previous basis of accounting before IPSAS adoption. The Village Council is working to ensure changes are made during the transitional period.

Capital budget

The government of Namibia financed the biggest portion of capital projects and the Village Council has to undertake capital projects to the extent of funds made available.

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

STATEMENT OF 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 second year of transition to accrual basis IPSAS, Tsandi Village Council took advantage of exemptions that affect fair presentation for reporting financial information, relating to International Public Sector Accounting Standards specified under IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards. As a result, The Village Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its First Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020.

The Village Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 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.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the Village Council, assets and liabilities, revenue and expenses shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to those assets and/or liabilities, revenues and expenses in accordance with IPSAS 33, paragraph 137 (a) which requires that Tsandi 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 27 are rounded off to the nearest dollar.

1.1 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:

TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)

STATEMENT OF ACCOUNTING POLICIES

- 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.

1.2. 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.

Tsandi Village Council disclosures

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

IPSAS 2 Statement of cash flows

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

Tsandi Village Council disclosures

The statement of cash flow shall report cash flows from three categories namely operating activities, investing activities, and financing activities. The statement of cash flow shall be prepared using the indirect method. The net surplus or deficit of the Village Council shall be adjusted for the effects of non-cash transactions.

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

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

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

STATEMENT OF ACCOUNTING POLICIES

Tsandi Village Council disclosures

Changes to accounting policies shall be applied retrospectively by restating prior financial statements unless impracticable. Changes in accounting estimate shall be applied in the financial period of change and prospectively. All changes relating to IPSAS adoption shall be applied in the year of adoption and prospectively except for opening balances, which will be restated, for initial transition to IPSAS. Correction of material errors in the preparation of financial statements of one or more periods are corrected retrospectively by restating comparative period amounts. Where IPSAS does not provide guidance as to whether a change is a change in accounting policy or a change in accounting estimate, the change shall be considered to be a change in accounting estimate.

IPSAS 14 Events after the reporting date

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

Tsandi Village Council disclosures

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

IPSAS 19 Provisions contingent liabilities and contingent assets

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

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

STATEMENT OF ACCOUNTING POLICIES

Tsandi Village Council disclosures

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

IPSAS 20 Related party disclosures

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

Tsandi Village Council disclosures

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

IPSAS 21 Impairment of non-cash generating assets

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

Tsandi Village Council disclosures

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

IPSAS 24 Presentation of budget information in financial statements

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

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

STATEMENT OF ACCOUNTING POLICIES

Tsandi Village Council disclosures

The Village Council shall disclose reconciliation between actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts. The Village Council shall the budgetary basis and classification basis adopted in the approved budget and the financial period

of the approved budget. Explanation of variances between the final budget and actual as presented in the comparison shall be disclosed to in the notes to the financial statements

IPSAS 31, Intangible assets

This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. This standard further specifies how to measure the carrying amount of intangible assets and requires specific disclosures about intangible assets. The standard IPSAS 31 forms part of the regime of standards whose adoption affect fair presentation as per IPSAS 33, paragraph 33. The Village Council judges it can comply with this standard in full on its initial adoption of accrual basis IPSAS.

Tsandi Village Council disclosures

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

Expenses recognition

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

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

TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)

STATEMENT OF ACCOUNTING POLICIES

1.3 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.

1.4 IPSASs not adopted by Tsandi Village Council

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

IPSAS 4, The effects of changes in foreign exchange rates

IPSAS 5, Borrowing costs

IPSAS 10, Financial reporting in hyperinflationary times

IPSAS 11, Construction contracts

IPSAS 13, Leases

IPSAS 16, Investment property

IPSAS 26, Impairment of cash-generating assets

IPSAS 27, Agriculture

IPSAS 32, Service concession arrangements: Grantor

IPSAS 34, Separate financial statements

IPSAS 36, Investment in associates and joint ventures

IPSAS 37, Joint arrangements

IPSAS 38, Disclosure of interest in other entities

IPSAS 40, Public sector combinations

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.5 Significant judgements and sources of estimation uncertainty

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

The 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:

Provisions contingent liabilities and contingent assets

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

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. Management judges that the directive from the government requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) will increase uncollectable receivables as those customers were already defaulting on payments before the corona virus pandemic..

ANNEXURE E

TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)

STATEMENT OF ACCOUNTING POLICIES

Allowance for slow moving obsolete or damaged inventory items

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

Useful lives of items of property plant and equipment

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

1.6 Offsetting

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

1.7 Value added tax (VAT) on goods and services

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

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

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 2020.

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.

**TSANDI VILLAGE COUNCIL
COMMENTS ON VARIANCES BETWEEN BUDGETED AND ACTUAL AMOUNTS
(Continued)**

STATEMENT OF ACCOUNTING POLICIES

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.

1.10.1 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.

STATEMENT OF ACCOUNTING POLICIES

- 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.

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.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

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.

1.10.2 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.

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.

STATEMENT OF ACCOUNTING POLICIES

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.

1.11 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).

1.12 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.

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

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

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.

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment useful lives and depreciation method shall be reviewed annually and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. 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 derecognition of an item of PPE are recognised in the statement of surplus or deficit as other income. The gain or loss arising from the derecognition 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 2020 (Continued)

STATEMENT OF 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	(10-20)
Furniture and Fittings	Straight line	(5-10)
Computer & Office Equipment	Straight line	(3 - 10)
Plant and Machinery	Straight line	(5 -15)
Motor Vehicles	Straight line	(5-15)
Infrastructure	Straight line	(10-20)

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.

1.12.1 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;

STATEMENT OF ACCOUNTING POLICIES

Measurement using the cost model

- 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.

1.13 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 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.14 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.

1. 15 Employee benefits

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

- Short term employee benefits
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits

STATEMENT OF ACCOUNTING POLICIES

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

Short term employee benefits

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

Post-employment benefits

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

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

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

Other long-term employee benefits

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

Termination benefits

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

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

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

1.16 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.

1.17 Fruitless and wasteful expenditure

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

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

1.18 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.

1.19 Debt forgiveness

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

1.20 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.

STATEMENT OF ACCOUNTING POLICIES

1.21 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.

1.22 Fines

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

1.23 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.

1.24 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.

1.25 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (Continued)**

1.26 Customer advance prepayments

Advance payments from customers are accounted for as a liability until an exchange of equal value is rendered. Customer advance payments commonly form part of accounts receivables at the end of the financial year. It is the Village Council's policy to reclassify all advance payments from accounts receivables to current and / or (non) liabilities in line with the matching concept.

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

2. Property, plant, and equipment

	2020		2019	
	Cost	Accumulated depreciation	Carrying amount	Cost
	N\$	N\$	N\$	N\$
Land and buildings	178 588 216	(460 902)	178 127 315	178 117 504
Furniture, fixtures, & fittings	549 742	(184 677)	365 065	428 908
Computer and office equipment	335 071	(195 546)	139 525	191 489
Plant and machinery	4 223 142	(1 997 560)	2 225 582	4 147 026
Motor vehicle	3 588 847	(918 414)	2 670 433	1 213 847
Infrastructure	32 988 335	(2 061 381)	30 926 954	29 541 196
Work in progress	5 238 344	-	5 238 344	1 419 972
Total	225 511 698	(5 818 480)	219 693 218	215 059 942
				(3 565 344)
				211 494 598

Work in progress comprise of construction of services in extension 6 Phase one and phase two of which work amounting to N\$ 5 238 344 has been completed as at the reporting date. The project started in the financial year 2019/2020 and is expected to be finished in the financial year 2020/2021 and, currently the contractors are working on phase two. The Village Council could not implement the whole project as initially intended due to financial constraints. The contractors working on the project are Emirates Trading cc (water and sewer), BDI Investments cc (electricity), and Teya Investments cc (Pump stations).

ANNEXURE E

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

	2020		2019					
	N\$	N\$	N\$	N\$				
Work in progress								
Construction of services								
Construction of services (ext 3 & Proper)								
Construction of services (ext 6)								
	5 238 345		1 419 972					
	15 818		15 818					
	5 222 527		-					
	1 404 154		-					
	-		-					
2. Property, plant, and equipment (continued)								
Property, plant, and equipment reconciliation - 2020								
	N\$	N\$	N\$	N\$	N\$			
Opening balance	1 419 972	178 176 267	351 183	36 325	2 828 326	736 119	28 202 054	211 750 246
01/07/2019	5 238 344	241 835	120 834	148 102	53 692	2 375 000	2 022 820	10 200 627
Additions	-	-	-	(2 625)	-	-	-	(2 625)
Disposals	5 238 344	241 835	120 834	145 477	53 692	2 375 000	2 022 820	10 198 002
Sub-total	6 658 316	178 418 102	472 017	181 802	2 882 018	3 111 119	30 224 874	221 948 248
Total								
Transfers:								
To infrastructure	(1 419 972)	-	-	-	-	-	1 419 972	-
To Investments (out)	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Sub-total	(1 419 972)	-	-	-	-	-	1 419 972	-

TSANDI VILLAGE COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

2. Property, plant, and equipment

Property, plant, and equipment reconciliation - 2020

Total	5 238 344	178 418 102	472 017	181 803	2 882 018	3 111 119	31 644 846	221 948 249
Depreciation	-	(290 787)	(106 953)	(42 277)	(656 437)	(440 686)	(717 892)	(2 255 031)
Sub-total	-	(290 787)	(106 953)	(42 277)	(656 437)	(440 686)	(717 892)	(2 255 031)
Closing bal	5 238 344	178 127 315	365 064	139 526	2 225 581	2 670 433	30 926 954	219 693 218

Disposals

Cost

Accumulated depreciation

Net book value

Disposal proceeds

Profit on disposal

Disposal during the year relate to a cell phone

	2 625
	(1 896)
	729
	1 313
	583

ANNEXURE E

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

2020

NOTES TO FINANCIAL STATEMENTS

	Work in progress		Land & buildings		Furniture & fittings		Comps & Office Equip		Plant & Machinery		Motor vehicles		Infra structure		Total	
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance	11 379 202	-	-	-	91 978	96 054	2 897 686	429 301	20 300 133	35 194 354						
Additions	5 567 168	169 022 378	169 022 378	293 302	3 399	3 399	520 878	477 902	1 972 710	177 857 738						
Sub-total	5 567 168	169 022 378	169 022 378	293 302	3 399	3 399	520 878	477 902	1 972 710	177 857 738						
Total	16 946 370	169 022 378	169 022 378	385 280	99 453	3 418 564	907 203	22 272 843	213 052 092							
Transfers: to PPE	(15 526 398)	9 092 425	9 092 425	-	-	-	-	-	6 433 974	-						
Sub-total	(15 526 398)	9 092 425	9 092 425	-	-	-	-	-	6 433 974	-						
Total	1 419 972	178 114 803	178 114 803	385 280	99 453	3 418 564	907 203	28 706 817	213 052 092							
Depreciation	-	(167 413)	(167 413)	(34 097)	(63 128)	(612 662)	(171 084)	(509 110)	(1 557 495)							
Sub-total	-	(167 413)	(167 413)	(34 097)	(63 128)	(612 662)	(171 084)	(509 110)	(1 557 495)							
C/bal (30/06/2019)	1 419 972	177 947 390	177 947 390	351 183	36 325	2 805 902	736 119	28 197 707	211 494 598							

ANNEXURE E

**TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)**

3. Intangible assets

	2020		2019			
	Cost	Accumlt'd Amortst'n	Carrying amount	Cost	Accumlt'd Amortst'n	Carrying amount
	N\$	N\$	N\$	N\$	N\$	N\$
Microsoft Dynamics GP	173 294	-	173 294	144 374	-	144 374

Reconciliation of intangible assets - 2020

	Opening balance	Acquisitions	Disposals	Amortisation	Total
	N\$	N\$	N\$	N\$	N\$
Microsoft Dynamics GP	173 294	-	-	-	173 294

Reconciliation of intangible assets - 2019

	Opening balance	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

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

There has not been any accumulated amortisation on the Village Council's intangible asset due to the policy which prescribes non-amortisation of intangibles and as a result, no movements (due to amortisation or impairment) during the financial year were recorded.

In relation to impairment assessment of intangible assets. There has not been a decline in performance of the intangible asset in relation to increasing volume of transactions; and
 There has not been a change in costs which would result in the Village Council reviewing the need to continue using the intangible.

4. Investments

	2020	2019
	N\$	N\$
Investments	5 869 102	5 739 149

The investment in Nored is an equity instrument in accordance with IPSAS 28 represented by a nominal value of N\$ 100 equity holding. The substance of the contractual agreement provided for a transfer of Tsandi Village Council electrical infrastructure to Nored at cost in exchange for shares (equity) in Nored. The equity instrument first satisfied recognition criteria at the date of signing the contractual agreement as specified in the contract.

5. Cash and Cash equivalents

Institution	Account type	5 499 220	-
Standard Bank	Bank- operation account	90 918	-
Standard Bank	Bank- call account	4 546 368	-
Standard Bank	Bank- bank-online account	156 087	-
Standard Bank	Bank-current account	59 223	-
Standard Bank	Bank-call account	436 662	-
First National Bank	Bank - FNB gold current account	10 891	-
First National Bank	Bank- FNB call account	199 071	-

Cash held with Financial institutions (including call accounts) satisfy the definition of cash and cash equivalents. In consideration of Covid19, there have been no restrictions on redemption on both call and savings accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

6. Accounts receivables

	2020	2019
	N\$	N\$
Accounts receivables	1 646 472	416 982
Accounts receivables - combined billing	4 947 204	416 982
Allowance for bad debts	(3 300 732)	
BT receivables net of credit losses	512 191	494 552
Accounts receivables - Build Together	512 191	494 552
Allowance for credit losses	-	
Total accounts receivables	2 158 663	911 534
Movement in allowance for doubtful debts		
Balance at the beginning of the financial year	(2 171 453)	-
Provisions taken during the financial year	3 330 401	-
Increase in allowance for doubtful debts	1 158 949	-

The economic entity makes an allowance for doubtful debts 120 days past due but not impaired.

The Village Council did not calculate an allowance for doubtful debts on Build Together receivables as some beneficiaries are still paying to Omusati Regional Council. Payments made to the Regional Council place an inconsistency in ageing as these payments are not timely remitted to the Village Council.

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

	2020	2019
	N\$	N\$
7. Pledges - Trade Fair	1 296 435	940 775
<p>Pledges receivable arose from commitments made by individual members of the community and companies to support the Village Council with resources in form of cash (no pledges in-kind were made). The parties committed to cash pledges signed binding contracts with the Village Council. As at the end of the financial year, N\$ 1 066 435 was received and N\$ 230 000 is an outstanding receivable.</p> <p>Pledges that satisfy the definition of an asset and 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 are recognised as both revenue and assets.</p>		
8. Value added tax receivable	4 341 032	3 154 034
VAT Receivable		
<p>Value added tax (VAT) as per note is as a result of an excess of input VAT over output VAT. The Village Council collects VAT and remits it to the Receiver of Revenue and relies on the policies of the Receiver of Revenue in administering collections and remittances.</p>		
9. Inventories	10 815 164	9 484 530
Stores	304 004	104 155
Inventory (erven)	10 511 160	9 380 375
Prior period error		
Reported in prior year	-	12 966 060
Correction of error	-	(3 585 685)
Adjusted inventory (erven) balance	-	9 380 375

TSANDI VILLAGE COUNCIL

ANNEXURE E

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

Tsandi urban	No. of erven	Size of land	Price per SQM	Total value
		SQM	N\$	N\$
	233	350372	30	10 511 160

As at 30 June 2020, the reporting entity had 350 372 square metres of serviced erven with a cost of N\$ 10 511 160. All erven held in inventory is valued at N\$ 30 as per valuation roll.

The price as per the valuation roll is a gazetted price and the gazette is reviewed on an annual basis to effect changes to tariffs and prices for goods and services.

10. Prepayments

	2020	2019
	N\$	N\$
Prepayment	33 198	31 990

Prepayments are attributable to motor vehicle licences that had not expired as at the end of the financial year.

11. Accounts payables

Accounts payables: Exchange transactions	22 000	2 558 777
Accounts payables: Non-exchange transactions	102 159	-

Accounts payables from non-exchange transactions relate to an outstanding amount on the 5% Regional Council levy on rateable properties within a local authority area assessed in terms of Section 73 of the Local Authorities Act 1992 (Act No. 23 of 1992).

12. Accrued expenses

Accrued expenses	149 614	-
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Accrued expenses comprise of outstanding payments to four suppliers and an amount of N\$ 132 740 is due to Namwater cooperation only.

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

13. Employee provisions

	2020	2019
	N\$	N\$
	360 692	106 641
Leave provision	286 913	106 641
Bonus provision	73 778	-
	180 273	-
Increase in leave provision		
Leave provision - 2020	286 913	-
Leave provision - 2019	(106 641)	-

Bonus and leave provisions are Village Council obligations arising from services offered by employees in full employment as at reporting date.

The Village Council has no contingent liabilities in respect of legal claims arising in the ordinary course of operations.

14. Unearned revenue

Unearned revenue

308 144	468 104
----------------	----------------

Unearned revenue comprise of advance payments by customers on accounts for which no exchange of equal value had been made in return by the Village Council as at 30 June 2020.

15. Other creditors

Drought relief
Salary advance/refund
Unknown deposits

10 243	-
966	-
3 000	-
6 277	-

Drought relief comprise contributions from the Village Council employees which were held by the Village Council as at the reporting date. Unknown deposits are amounts received by the Village Council through the bank and had not been allocated to a specific consumer account due to non-availability of a customer name or account reference number.

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

16. Retention fees

	2020	2019
	N\$	N\$
Retention fees	251 807	405 644

Retention fees are amounts held on capital projects being undertaken by the Village Council pending remedying of any structural defects that may occur to constructed items of property, plant, and equipment. The retention fees held is attributable to the construction of the head office.

17. Service charges

	3 448 817	3 346 123
Income sewerage	404 632	225 984
Income water	2 453 047	2 527 457
Income refuse removal	514 457	448 312
Income from garden refuse	69 540	88 406
Income-pre-paid cards	4 839	-
Income-pre-paid water	2 302	-
Other service charges	-	55 963

18. Sales of erven

Sales of erven	2 122 891	789 680
----------------	------------------	----------------

Where rewards of ownership have been transferred to the purchaser and a contract is signed, the Village Council records a sale of erven even though cash has not changed hands. The Village Council retain title on erven for the collectability of revenue as per IPSAS 9 paragraph 31.

19. Rental income

	200 363	181 088
Open market	24 532	24 982
Hiring of tent, tables & chairs	4 572	-
Portable toilet	10 300	6 254
Equipment hiring	160 959	149 853

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

20. Surcharge revenue

	2020	2019
	N\$	N\$
	236 998	235 803
Jul-19	19 827	18 761
Aug-19	20 420	19 863
Sep-19	18 955	19 066
Oct-19	20 283	19 679
Nov-19	20 982	20 412
Dec-19	19 194	19 786
Jan-20	19 538	19 028
Feb-20	19 879	19 889
Mar-20	20 644	19 447
Apr-20	18 965	21 054
May-20	18 464	19 725
Jun-20	19 847	19 093

Surcharge income is derived from electricity sales within Tsandi Village Council area. In this arrangement, Tsandi Village Council earns a commission of 0.02 cents per unit sold.

21. Permission to occupy

Permission to occupy

438 828	721 975
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TSANDI VILLAGE COUNCIL

ANNEXURE E

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)**

Revenue from permission to occupy comprises payments made to the Village Council by residents occupying Village Council land where a sales agreement or sales contract of the plot so occupied has not been entered into between the Village Council and the occupier.

22. Donations

	2020	2019
	N\$	N\$
Donations	2 375 000	-

Donations during the year consist of voluntary transfer of a fire truck by the Ministry of Urban and Rural Development to the Village Council free of stipulations. The Village Council accounted for the Fire truck donation as an asset.

23. Other revenue

	270 959	236 845
Diaries books	540	980
Marketing & promotion	18 890	33 487
Other income	39 657	8 485
Building sand	104 264	167 083
Building plans	7 697	2 126
Tender fees	17 600	12 981
Water connection	24 296	-
Photocopy & fax sales	727	531
Street cleaning	39 129	-
Billboards advertisement	2 772	2 400
Admin fees	2 614	1 556
Kilometre fees	12 472	7 216
Sewer connection	300	-

24. Interest

	891 896	659 812
Operational account	713	871
Call account	163 730	212307
Call account	13 044	5 658 82
Build Together	23 057	14619
Overdue accounts	691 353	426 356

Interest charge on overdue accounts is attributable to monthly billings on customer accounts that are not paid in the month in which they are billed. During the year, N\$ 691 353 was billed, N\$ 156 564 was received, and N\$ 534 789 remains outstanding as at the reporting date.

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

25. Transfers from the government of Namibia

	2020	2019
	N\$	N\$
	13 474 405	12 347 465
Contributions from the government of Namibia	12 434 581	9 999 994
Other government departments		
Subsidies-road fund administration (RFA) subsidy	909 825	2 347 471
OAG Transfer	130 000	-
	1 039 825	2 347 471

Transfers from the Government of Namibia received during the year were utilised for capital projects. The Office of the Auditor General transfer comprise a five-year audit service in-kind to the Village Council.

The Road Fund Authority transfer was spent on road maintenance.

26. Property, rates, and taxes

Property rates and taxes

2 343 183	-
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Property rates are assessed on improvements and property (land) owned by residents and businesses in Tsandi Village Council area in terms of Section 73 of the Local Authorities Act (Act No. 23 of 1992). This is the first year for the Village Council to collect revenue from property, rates, and taxes.

27. General expenses

	2 594 593	2 995 293
Accounting fees & consultations	84 880	92 478
Advertisement & marketing	23 756	154 541
Cartridges and toners	10 111	-
Disaster funding / donations	3 465	14 900
Electricity charges(out)	74 758	-
Electricity consumption	151 559	247 493
Entertainment allowance	5 028	15 635
Expenses-trade fair	806 439	974 277
Financial study assistance	19 705	-
GP licence & services	94 556	-
Infectious disease control	22 681	8 907
Insurance & excess	136 828	113 054
Internet and, telephone & email	7 913	-
Km claim	52 492	97 469
Office inauguration	70 445	-

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

27. General expenses (continued)

	2020	2019
	N\$	N\$
Photocopies machine rental	9 106	-
Postage & currier services	66 181	-
Printing & photocopying & stationery	16 323	69 531
Refuse removal - contract	144 000	137 000
Security services & alarm system	144 000	62 400
Speed point services	6 611	-
Strategic plan/action plan	18 050	145 908
Student attachment/allowance	33 300	-
Telephone and fax (out)	47 571	105 270
Training	72 480	46 568
Travel & subsistence	141 484	274 140
Vehicle licence & machinery fees	43 885	40 887
Year-end function	3 394	-
Cleaning materials	8 174	-
Cleaning of town/dumping site	8 766	30 061
Computer & software license fees	44 767	96 390
Conveyors fees	34 589	-
Contribution-union/association	24 022	20 700
Bank charges	129 669	108 902
Interim valuation	-	56 250
Rental of office space	-	35 891
Protective clothing	-	15 670
Trade Fair	-	6 500
HIV/AIDS Activities	-	1 317
Utilities	-	5 942
Cell phone allowance	-	8 400
Flags	-	986
Accessories	-	3 594
Hammer chipping	-	42
Helmet auto darkening	-	510
Glove leather	-	87
Data track extension top	-	1 596
Black paper tray	-	1 998

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

28. Employee costs	2020	2019
	N\$	N\$
	2 963 764	2 907 097
Salary & wages	1 489 182	1 481 422
Housing allowance	348 983	344 816
Contribution-medical aid-company	345 914	343 812
Contribution-pension fund-company	325 817	326 209
Contribution-SSC-company	10 673	11 174
Leave gratuity	30 439	-
Car allowance	89 316	89 316
Transport allowance	104 646	114 276
SSC employee compensation	1 780	-
Cell phone/airtime allowance	22 800	14 400
Overtime	48 020	32 216
Standby allowance	18 514	23 550
Service bonus	127 678	125 906

28. Employee costs (continued)
Compensation of key management personnel

	CEO	HR Supervisor	Accountant
	N\$	N\$	N\$
	450 433	202 090	136 832
Basic salary	243 450	151 470	100 980
Housing	97 380	30 294	20 196
Car allowance	89 316	-	-
Transport	-	7 704	5 136
Bonus	20 287	12 622	10 520

The position of the accountant fell vacant in February 2020 and another accountant was appointed to the position and started on a lower salary grade than that of the former accountant. The positions for the former and the new accountant have all been disclosed to this note.

TSANDI VILLAGE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

	New Accountant	Artisan foreman	Land Mgmt officer
	N\$	N\$	N\$
	66 821	202 090	202 090
Basic salary	46 182	151 470	151 470
Housing	9 236	30 294	30 294
Car allowance	-	-	-
Transport	2 568	7 704	7 704
Bonus	8 835	12 622	12 622

Remuneration of key management personnel responsible for the strategic direction of Tsandi Village Council has been set out above in line with the provisions of IPSAS 20, Related Parties paragraph 21.

	2020	2019
	N\$	N\$
Councillors' remuneration	191 056	191 056

30. Repairs and maintenance

	652 356	776 407
Building	5 100	33 525
Office equipment	10 827	2 860
Oxidation ponds	315 420	24 212
Plant, machinery & equipment	136 254	41 185
Vehicles	1 258	33 999
Sewer pumps	500	2 706
Fuel & oil	164 756	249 219
Water meters & reticulation	15 001	-
Refuse bins	3 240	-
Dump site	-	23 720
Photocopiers	-	5 022
Road maintenance	-	359 960

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

31. Bulk water

	2020	2019
	N\$	N\$
Bulk water	1 693 219	1 740 399

Bulk water purchases relate to water supply from Namwater during the financial year.

32. Impairment

Impairment	29 344	-
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Impairment relate to a road which was constructed through a Public Open Space.

33. Prior period errors**Prior period errors**

Overstatement of inventory (erven valuation)	(3 585 685)
Net effect on surplus or deficit	(3 585 685)
Land and buildings	228 878
Plant and machinery	22 424
Infrastructure	4 347
Work in progress	1 419 972
Net effect on surplus or deficit	1 675 620
Deficit reported - prior year	(2 940 267)
Reclassification of government transfers	10 000 000
VAT on surcharge	(41 612)
Other movements	(6)
Restated surplus for the year	7 018 115

Prior period errors relating to plots held in inventory arose due to valuation of land by N\$ 30 per square metre where the gazetted price for the financial year stood at N\$ 25.

Adjustments to items of property, plant, and equipment relate to an understatement attributable to a deduction of retention fees on the cost of buildings and the non-recognition of work in progress in the prior year financial statements.

Restatement of surplus or deficit relate to government transfers taken direct to equity using the equity method instead of the income approach. This resulted in a deficit of (N\$ 2 940 267) turning in to a net surplus of N\$ 7 018 115 with a further adjustment attributable to VAT on surcharge amounting to N\$ 41 612 having been accounted for.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

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

	Note	2020 N\$	2019 N\$
Surplus / Deficit		15 211 987	-
Adjustments for non-cash movements:			
Depreciation		2 255 031	-
Impairment		29 344	-
Increase in allowance for doubtful debts		1 158 949	-
Provisions relating to employees		254 051	-
Profit on cell phone disposal		(583)	-
Pledges		(230 000)	-
Audit fees - OAG		(130 000)	-
Adjustments for government transfers:			
Government and other departments transfers		(13 344 405)	-
Working capital changes			
Increase in inventory	34,3	(199 849)	-
Increase in accounts receivables		(1 247 129)	-
Increase in VAT receivable		(1 186 998)	-
Increase in prepayments		(1 208)	-
Decrease in accounts payables		(2 434 618)	-
Increase in accrued expenses		149 614	-
Decrease in unearned revenue		(159 960)	-
Increase in other creditors		10 243	-
Decrease in retention fee		(153 836)	-
Erven sales	34,1	(1 182 591)	-
Interest	34,2	(735 332)	-
Other unknown movements		(64 085)	-
Total adjustments to surplus or deficit		(17 213 364)	-
Net cash flow from operating activities		(2 001 376)	-
Sales of erven			
Erven sales		(2 122 891)	-
Cash receipts on erven sales		940 300	-
Adjustment to surplus or deficit	34,1	(1 182 591)	-
Interest			
Interest levied on overdue accounts		(891 896)	-
Cash received on interest levied		156 564	-
Adjustment to surplus or deficit	32,2	(735 332)	-

TSANDI VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

	34. Reconciliation of Net cash flows from operating activities to surplus/deficit (continued)	
	2020	2019
	N\$	N\$
Inventory		
Total inventory - 2019	104 155	-
Total inventory - 2020	(304 004)	-
Increase	34,3	(199 849)

Working capital movements attributable to inventory are exclusive of erven held by the economic entity as at 30 June 2020 as erven inventory do not represent cash movement