



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF TSES**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**



**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 Tses 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 No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27 (4) of the Act.

**WINDHOEK, November 2023**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



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

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**1. DISCLAIMER AUDIT OPINION**

I have audited the financial statements of the Village Council of Tses for the financial year ended 30 June 2020. These financial statements comprise the Statement of Financial Position, the Statement of Financial Performance, Statement of Cash Flows, and Notes to Financial Statements for the year then ended.

Because of the significance of the matters described in the Basis for Disclaimer of audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Village Council of Tses as at 30 June 2020.

**2. BASIS FOR DISCLAIMER AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

**2.1 FUNDS AND ACCOUNTS**

An unexplained difference of N\$ 18 290 552 on Funds and accounts was noted between the general ledger balance and the financial statements.

**2.2 ACCOUNTS PAYABLE**

A difference of N\$ 15 584 679 on accounts payable was identified between the general ledger balance and the financial statements.

**2.3 ACCOUNTS PAYABLE (Third party payments)**

The Council could not provide supporting documents for Third party payments amounting to N\$ 160 720. Moreover, this amount could not be traced to the trial balance.

**2.4 ACCOUNTS PAYABLE (Retention)**

Included in the annual financial statements is Retention fees amounting to N\$ 412 682. This amount could not be traced to the trial balance, and the auditors were not provided with the source documentation pertaining to this account balance.

## **2.5 ACCOUNTS PAYABLE**

The Council did not provide the source documentation pertaining to Property sales amounting to N\$ 125 484 disclosed in the financial statements. This account balance could further not be traced to the trial balance. The existence, completeness and correct valuation of the account balance cannot be confirmed.

## **2.6 VALUE ADDED TAX (VAT)**

A difference amounting to N\$ 402 156 was noted between the VAT reconciliation and the VAT amount in the financial statements. The VAT disclosed in the financial statements is not fairly stated.

## **2.7 PROPERTY, PLANT AND EQUIPMENT**

Differences amounting to N\$ 30 747 175 was noted between the trial balance and the financial statements. Furthermore, the Council did not provide source documentation for asset additions amounting to N\$ 7 084 713.

## **2.8 INVESTMENT**

An unexplained difference amounting to N\$ 1 276 409 was identified between the trial balance and the financial statements.

## **2.9 BAD DEBT ALLOWANCE**

Included in the financial statements is bad debt allowance amounting to N\$ 7 297 667. The auditors were unable to trace the amount to the trial balance and other accounting records, thus resulting in a difference between the trial balance and the financial statements.

## **2.10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents disclosed in the statement of financial position (N\$ 324 576) is not balancing with the one on the cashflow statement (N\$ 78 967).

## **2.11 EMPLOYEE COST**

A difference amounting to N\$ 185 877 was noted between the trial balance and financial statements.

## **2.12 REVENUE**

The Council recognizes the release of funds for capital projects and operating expenses from one of its bank accounts as revenue earned. This has an effect of double counting and overstatement of revenue. A difference amounting to N\$ 1 126 447 on revenue was noted between the trial balance and financial statements.

The Council could not provide source documentation related to Road Fund Authority receipt amounting to N\$ 130 861. No assurance that the revenue recorded is fairly stated for inclusion in the annual financial statements.

### **2.13 ACCRUALS RESULTING FROM EMPLOYEE COSTS**

The Council did not raise accruals resulting from employee costs. Accruals amounting to N\$ 161 450 for Pay As You Earn (PAYE) were identified. This understated both current liabilities and operating expenses.

### **2.14 NAMPOWER PROVISION**

The Council did not raise a provision for Nampower to the value of N\$ 905 506.

## **3. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

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

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

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

## **4. 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, 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 skepticism throughout the audit, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion;

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



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

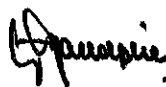
## **5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements for the financial year ended 30 June 2020 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

## **6. ACKNOWLEDGEMENT**

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

**WINDHOEK, November 2023**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**VILLAGE COUNCIL OF TSES  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2020 N\$	2019 N\$
<b>ASSETS</b>			
<b>CURRENT ASSET</b>			
		<b>2 173 729</b>	<b>3 540 879</b>
Inventory	5	47 864	26 600
Account receivables	6	1 761 735	923 288
Other receivables	7	36 600	-
Cash and cash equivalents	8	324 576	1 720 351
VAT Receivable		-	870 640
Prepayments	9	2 954	-
<b>NON-CURRENT ASSETS</b>			
		<b>32 438 374</b>	<b>27 281 880</b>
Property, Plant and Equipment	2	30 747 175	25 512 261
Intangible assets	3	389 638	389 638
Long term receivables	4	1 301 561	1 379 981
<b>TOTAL ASSETS</b>		<b>34 612 103</b>	<b>30 822 759</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		<b>16 165 814</b>	<b>12 109 510</b>
Accounts payables from exchange transactions	10	14 429 586	11 523 608
Accounts payables from non-exchange transactions	11	26 966	20 145
Value-added tax payable	12	581 135	-
Short-term employee provisions	13	589 961	515 628
Other creditors	14	538 166	50 129
<b>NET ASSETS</b>		<b>18 446 289</b>	<b>18 713 249</b>
<b>NET ASSET/EQUITY</b>			
Accumulated surplus		18 446 288	18 713 249
<b>TOTAL NET ASSETS/ EQUITY</b>		<b>18 446 288</b>	<b>18 713 249</b>

**VILLAGE COUNCIL OF TSES**  
**STATEMENT OF SURPLUS OR DEFICIT FOR THE YEARS ENDED 30 JUNE**

		<b>2020</b>	<b>2019</b>
	Note	N\$	N\$
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
		<b>5 916 703</b>	<b>4 868 911</b>
Services charges	15	5 422 920	4 283 436
Permission to occupy – residential	16	230 940	231 006
Rental income	17	105 422	173 770
Other income	18	52 596	116 807
Donations		-	18 925
Interest	19	104 825	44 967
<b>Revenue from non-exchange transactions</b>			
		<b>5 115 396</b>	<b>8 112 767</b>
Assessment rates	20	136 423	136 423
Government & other department transfers	21	4 978 973	7 976 344
<b>TOTAL REVENUE</b>		<b>11 032 099</b>	<b>12 981 678</b>
<b>EXPENSES</b>			
		<b>12 229 667</b>	<b>11 206 253</b>
General and administrative expenses	22	1 360 059	1 398 319
Employee costs	23	3 442 972	3 255 846
Councilors' remuneration	24	191 056	191 056
Regional council levy	25	6 821	6 821
Repairs and maintenance	26	1 440 334	1 284 588
Depreciation	2	1 656 871	1 505 559
Employee provisions	27	74 333	92 915
Bulk electricity		2 248 987	1 768 027
Bulk water		695 992	448 552
Extra-ordinary item	8	90 206	51 404
Donations		-	17 425
Finance cost	28	1 022 036	1 185 741
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(1 197 568)</b>	<b>1 775 425</b>

**VILLAGE COUNCIL OF TSES**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEARS ENDED 30**  
**JUNE**

	Note	Funds and accounts N\$	Accumulated surplus/deficit N\$	Total net assets/equity N\$
<b>Opening balance as at 01 July 2018</b>		<b>2 673 450</b>	<b>9 354 547</b>	<b>12 027 997</b>
Accounting policy changes adjustments		(2 673 450)	2 673 450	-
Adjustments to surplus/(deficit)	31	-	4 909 824	4 909 824
Surplus/(deficit) for the year		-	1 775 427	1 775 427
<b>Net position as at 30 June 2019</b>		-	<b>18 713 248</b>	<b>18 713 248</b>
Other movements		-	930 608	930 608
<b>Net position as at 01 July 2019</b>		-	<b>19 643 856</b>	<b>19 643 856</b>
Surplus or deficit for the year		-	(1 197 569)	(1 197 569)
<b>Net assets / equity as at 30 June 2020</b>		-	<b>18 446 287</b>	<b>18 446 287</b>

**VILLAGE COUNCIL OF TSES**  
**CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE**

	2020	2019
Note	N\$	N\$
<b>Cash flow from operating activities</b>		
<b>Receipts:</b>		
	<b>10 116 337</b>	<b>13 748 083</b>
Sale of goods and services	5 109 855	4 726 772
Government grants and subsidies	4 978 973	8 976 344
Interest received	27 509	44 967
	<b>(6 678 459)</b>	<b>(10 352 674)</b>
<b>Payments:</b>		
Employee costs and councilors' remuneration	(3 634 028)	(3 446 902)
Cash paid to suppliers	(2 929 600)	(6 905 772)
Finance cost	(114 831)	-
<b>Net cash flow from operating activities</b>	<b>3 437 878</b>	<b>3 395 409</b>
<b>Cash flow investing activities</b>		
Construction of property, plant and equipment	(5 237 196)	(478 192)
Increase/ (decrease) in investment	-	(799 090)
<b>Net cash flow from investing activities</b>	<b>(5 237 196)</b>	<b>(1 277 282)</b>
<b>Cash flow from financing activities</b>		
Movements in fund accounts	-	560 395
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>560 395</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>(1 799 318)</b>	<b>2 678 522</b>
Cash and cash equivalents at the beginning of the period	1 720 351	(958 172)
<b>Cash and cash equivalents at the end of the period</b>	<b>(78 967)</b>	<b>1 720 350</b>

Cash and cash equivalents consist of balances with banks and short-term investments on call accounts. Cash and cash equivalents included in these financial statements differ from the cash and cash equivalents as per the statement of financial position as per note 8.

ANNEXURE E

VILLAGE COUNCIL OF TSES  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget N\$	Final adjusted budget N\$	Actual outcome N\$	Variance N\$	Variance %
<b>Statement of surplus or deficit</b>					
<b>Revenue: Exchange transactions</b>	<b>3 816 171</b>	<b>3 816 171</b>	<b>5 916 703</b>	<b>(2 100 533)</b>	<b>(55%)</b>
Service charges	3 140 000	3 140 000	5 422 920	(2 282 920)	(73%)
Permission to occupy- residential	200 000	200 000	230 940	(30 940)	(15%)
Rental income	250 801	250 801	105 422	145 378	58%
Other income	225 370	225 370	52 596	172 774	77%
Interest	-	-	104 825	(104 825)	100%
<b>Revenue: Non- exchange transactions</b>	<b>5 136 423</b>	<b>5 136 423</b>	<b>5 115 396</b>	<b>21 027</b>	<b>0%</b>
Assessment rates	136 423	136 423	136 423	-	0%
Government & other departments transfers	5 000 000	5 000 000	4 978 973	21 027	0%
<b>Grand total</b>	<b>8 952 594</b>	<b>8 952 594</b>	<b>11 032 099</b>	<b>(2 079 506)</b>	<b>(23%)</b>

ANNEXURE E

VILLAGE COUNCIL OF TSES

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Original Budget	Final adjusted budget	Actual outcome	Variance	Variance
	N\$	N\$	N\$	N\$	%
<b>Expenses</b>	<b>9 058 391</b>	<b>9 058 391</b>	<b>12 229 667</b>	<b>(3 171 275)</b>	<b>(35%)</b>
General and administrative expenses	1 825 146	1 825 146	1 360 059	465 088	25%
Employee costs	3 850 589	3 850 589	3 442 972	407 617	11%
Councilors' remuneration	191 056	191 056	191 056	-	0%
Regional Council levy	12 500	12 500	6 821	5 679	45%
Repairs and maintenance	1 609 100	1 609 100	1 440 334	168 766	10%
Depreciation	-	-	1 656 871	(1 656 871)	100%
Employee provisions	70 000	70 000	74 333	(4 333)	(6%)
Bulk electricity	1 000 000	1 000 000	2 248 987	(1 248 987)	(125%)
Bulk water	500 000	500 000	695 992	(195 992)	(39%)
Extra- ordinary item	-	-	90 206	(90 206)	100%
Finance cost	-	-	1 022 036	(1 022 036)	100%
<b>Surplus/(deficit)</b>	<b>(105 797)</b>	<b>(105 797)</b>	<b>(1 197 568)</b>	<b>1 091 769</b>	<b>(1032%)</b>

**VILLAGE COUNCIL OF TSES  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

	<b>Original Budget</b>	<b>Final adjusted budget</b>	<b>Variance</b>	<b>Variance</b>
	N\$	N\$	N\$	%
<b>Unspent amounts</b>				
<b>Revenue</b>				
Water departmental	50 000	50 000	50 000	100%
Water departmental	50 000	50 000	50 000	100%
Town lands	20 000	20 000	20 000	100%
Rental: Town lands	130 000	130 000	130 000	100%
Interest on interest on investments	50 000	50 000	50 000	100%
Sewerage departmental	710	711	711	100%
<b>Total budget revenue not earned</b>	<b>300 710</b>	<b>300 711</b>	<b>300 711</b>	<b>100%</b>
<b>Expenses</b>				
Water reticulation	100 000	100 000	100 000	100%
Livestock	28 000	28 000	28 000	100%
HIV/AIDS programs	20 000	20 000	20 000	100%
Dumping site	9 000	9 000	9 000	100%
Compilation of financial statements	20 000	20 000	20 000	100%
Pest control	3 000	3 000	3 000	100%
Roads and streets	20 000	20 000	20 000	100%
Sitting allowance	20 000	20 000	20 000	100%
Sport ground rental	300	300	300	100%
Trees and shrubs	50 000	50 000	50 000	100%
Valuation cost	50 000	50 000	50 000	100%
Streetlights	40 000	40 000	40 000	100%
Advertising	15 000	15 000	15 000	100%
Bulk purchases electricity	1 000 000	1 000 000	1 000 000	100%
Bulk purchases water	121 739	121 739	121 739	100%
Contributions	834 114	834 114	834 114	100%
Erven refund	410 000	410 000	410 000	100%
<b>Total budgeted and not spent</b>	<b>2 741 153</b>	<b>2 741 153</b>	<b>2 741 153</b>	<b>100%</b>



**VILLAGE COUNCIL OF TSES  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
YEAR ENDED 30 JUNE 2020 (continued)**

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**BUDGET COMMENTS ON VARIANCE**

**Service charges**

A 73% increase is attributable to non-rationing of water by Namwater resulting in increased consumption.

Water supply was limited to 2 hours in the prior year to curb consumption in order to reduce billing.

**Permission to occupy**

The 15% revenue collection in excess of budget is due to new customers added.

**Rental income**

The 58% below budget amount was due to a wrong forecast of revenue from rental.

**Other income**

The 77% over and above the actual revenue was due to budgeting.

**Interest**

The Council did not include interest in the budget due to past budgeting practices, which did not reflect the accrual basis of accounting.

**General and administrative expenses**

General and administrative expenses were over budgeted resulting in a 25% below actual.

**Employee cost**

The Council budgeted for a 10% salary increment for all the Council employees that was not approved. In addition, there are two (2) posts for a cleaner and a general hand that were budgeted for and were not filled.

**Depreciation**

The Council did not budget for depreciation. The change to accrual basis IPSAS means that the Council has to budget for items that were not budgeted for in the previous accounting basis.

**Bulk utilities (water and electricity)**

The Council under budgeted the bulk utilities due to the restricted usage especially for water to limit consumption.

**VILLAGE COUNCIL OF TSES  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
YEAR ENDED 30 JUNE 2020 (continued)**

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**BUDGET COMMENTS ON VARIANCE (continued)**

**Finance cost**

The Council did not budget for finance cost.

**Budgeted and unspent amounts**

The Council has moved to accrual basis IPSAS and the way budgets were planned in the previous accounting framework differs from the way budgets are planned under the IPSAS framework. The Council is working on ensuring it deploys a budgeting method that is consistent with its strategic plans. This also includes employee training in budgetary processes.

The non-execution of the budgeted line items was also further exacerbated by inadequate funding as the Council depends on the Line Ministry as well as its source of revenue comprising combined billing.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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## **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.

At adoption and implementation of IPSAS, Tses Village Council opted for transitional exemptions that affect fair presentation. Under such an option, IPSAS 33 allows a first-time adopter a period of up to 3 years to recognise and/or measure assets and liabilities. As a result taking an option that affect fair presentation as per IPSAS 33, Tses 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.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the 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/or expenses.

### **Presentation currency and rounding**

The financial statements are presented in Namibia dollar which is the Council's presentation and functional currency, and all values, including Councilors' remuneration disclosures in note 24 are rounded off to the nearest dollar.

#### **1.1. Changes in accounting policy**

Accounting policies applied to all IPSAS that Tses Village Council has adopted may not be consistent in some instances with how financial information was being reported in previous financial years before adoption and implementation of IPSAS. IPSAS 3 allows a change in accounting policy where such a change:

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

#### **1.2 Transitional exemptions that do not affect fair presentation**

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

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.2.1 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.

**Tses 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 judgments that management made in the process of applying accounting policies.

**1.2.2 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 activities, investing activities and financing activities of the Council for each and every financial year.

**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 direct method. The net surplus or deficit of the Council shall be adjusted for the effects of non-cash transactions.

**1.2.3 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.

**Disclosures**

Changes to accounting policies shall be applied retrospectively by restating prior year 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.2.4 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).

**Disclosures**

The 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 Council's financial reporting.

**1.2.5 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.

**Disclosures**

Tses Village Council is guided by the definition of an obligation as per the standard.

The 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 Council's actions whereby an established pattern of past practice, published policies, or sufficiently specific current statement, the 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.

**1.2.6 IPSAS 20: Related party disclosures**

The objective of this standard is to set the disclosure requirements for transactions between the 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**Disclosures**

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

**1.2.7 IPSAS 21, Impairment of non-cash generating assets**

This standard prescribes the procedures that the 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.

**Disclosures**

The 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.

**1.2.8 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 Council since it is required to make publicly available its approved budget and for which the Council is therefore held accountable.

**Disclosures**

The Council shall disclose a reconciliation between actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts.

The Council shall disclose 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 in the notes to the financial statements.

**1.2.9 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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### **Disclosures**

The 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 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.

The accounting policies, which relate to the IPSASs set out above, were applied in presenting the Council 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.

#### **1.3 Expenses recognition**

Under IPSAS, there is no specific standard that prescribes the accounting treatment of expenses and expense recognition. The accounting for expenses 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.

#### **1.4 Transitional exemptions that affect fair presentation**

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

IPSAS 12, Inventory

IPSAS 16, Investment property

IPSAS 17, Property, plant and, equipment

IPSAS 29, Financial instruments, Recognition and measurement

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

#### **1.5 IPSASs not adopted by Tses 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 Council's future transactions render it necessary to apply a respective IPSAS.

**VILLAGE COUNCIL OF TSES****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.5 IPSASs not adopted by Tses Village Council (continued)**

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

**1.6 Significant judgments 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 judgment 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 Council may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The 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 judgments in applying accounting policies. The judgments exercised by management incorporate recent developments regarding the impact of the corona virus and its implications on the Council's financial reporting.

**1.6.1 Provisions, contingent liabilities, and contingent assets**

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets. 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 service potential is probable and can be reliably measured.



**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.6.2 Accounts receivables, loans, and other receivables**

The 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 judgment 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 of surplus or deficit net of allowance for receivables.

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

**1.6.3 Allowance for slow moving, obsolete or damaged inventory items**

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

**1.6.4 Useful lives of items of property, plant, and equipment**

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

**1.7 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.

**1.8 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.9 Budget information**

The budget figures for the Council are those approved by the Ministry of Urban and Rural Development. General-purpose financial reports by the 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 modified accrual basis and covers the financial period beginning 01 July 2019 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.

The budget has been prepared on modified accrual 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.

**1.10 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 Council's operations.

Management judges that considerations for the potential implications of corona virus and the measures taken to control it when assessing the entity's ability to continue as a going concern are critical. Further, management judges that the government lockdown programme is a material development, which could have reasonably been expected to affect other parts of the country for the financial years ended 30 June 2019 and 2020.

**1.11 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.

**1.11.1 Revenue from exchange transactions**

An exchange transaction is one in which the 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**Revenue recognition**

**Rendering of services**

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

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

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

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

**Sale of goods**

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

- The Council has transferred to the purchaser the significant risks of rewards of ownership of the goods;
- The 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 Council; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**Measurement**

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

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

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

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

**1.11.2 Revenue from non-exchange transactions**

The 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. However, Tses Village Council management 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 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 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 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.11.2 Revenue from non-exchange transactions (continued)**

Taxes such as property rates are economic benefits or service potential compulsorily paid to the Council in accordance with laws and/or regulations. Taxes do not include fines or penalties imposed as a result of breaches of the law.

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

**Recognition**

The 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.

**1.12 Property, plant and equipment**

The 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). In its previous basis of accounting, the Council did not have an accounting policy for the recognition, and measurement of items of PPE that is consistent with IPSAS 17, Property, Plant, and Equipment.

The 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 beginning 01 July 2018.

The process of recognising and measuring items of property, plant, and equipment necessitates a continuous development of accounting policies relating to items of PPE presented on the face of the statement of financial position.

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

**Recognition**

The cost of item of Property, plant and equipment is recognized 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 Council.
- The cost of the items can be measured reliably.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.12 Property plant and equipment (Continued)**

**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 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 inventory.

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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.12 Property plant and equipment (Continued)**

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\$ 1 000 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 derecognition of an item of PPE are recognised in the statement of surplus or deficit as other income. The gain or loss arising from 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 Council holds for rental to others and subsequently routinely sells as part of the ordinary course of activities are transferred to inventory when the rentals end and they 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.

The depreciation charge for each period is recognised in the statement of surplus or deficit unless 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.12 Property plant and equipment (Continued)**

The useful lives of items of property, Plant and equipment have been assessed as follows:

<b>TYPE OF ASSET</b>	<b>DEPRECIATION METHOD</b>	<b>(AVERAGE) USEFUL LIFE</b>
Land and Buildings	Straight line	(10-50)
Furniture and Fittings	Straight line	(5-15)
Computer & Office Equipment	Straight line	(3-10)
Plant and Machinery	Straight line	(5-15)
Motor Vehicles	Straight line	(5-15)
Infrastructure	Straight line	(10-50)

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

**1.12.1 Site restoration and dismantling costs**

The Council has an obligation to dismantle, remove and/or restore items of property, plant, and equipment in circumstances where dismantlement, removal or restoration is necessary.

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 inventory during the period. This accounting policy is attributable to the dumpsite under ownership and control of the 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;
- c) If the adjustment results in an addition to the cost of the asset, the Council considers whether this is an indication that the carrying amount of the asset is not recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised in 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 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.



**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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### **1.13 Inventory**

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

Subsequently, inventory 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 inventory comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventory to their present location and condition.

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

When inventory are sold and/or used, the carrying amounts of those inventory 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 inventory to net realisable value and all losses on inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value are recognised as a reduction in the amount, of inventory recognised as an expense in the period in which the reversal occurs.

### **1.14 Provisions and contingencies**

Provisions are recognised when:

- The 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
- 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 party, 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**1.14 Provisions and contingencies (Continued)**

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 outflow 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 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 the 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

**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 the 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.

The Council's pension plan is administered by Government Institutions Pension Fund (GIPF), which was established at the end of 1989.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**Post-employment benefits (continued)**

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 Government Institution Pension Fund (GIPF) nor are they entitled to any surpluses in addition to paying the premium set by (GIPF);
- The members bear the actuarial and investment risk in full.
- Each year, the premium is set by GIPF 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 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 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 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.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**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 and donations is recognised as revenue to the extent that the 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 Council recognises revenue in respect to debt forgiveness when the former debt no longer meets the definition of 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 Council, and the fair value of the assets can be measured reliably.

**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 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 Council.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**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 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.

**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 Council's policy to reclassify all advance payments from accounts receivables to current and / or (non) current liabilities in line with the matching concept.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**2. PROPERTY, PLANT, AND EQUIPMENT**

	2020		2019			
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
	N\$	N\$	N\$	N\$	N\$	N\$
Land and buildings	10 316 214	(1 230 433)	9 085 781	8 423 874	(1 015 005)	7 408 870
Computer and office equipment	126 738	(126 738)	-	126 738	(122 058)	4 680
Furniture and machinery	131 101	(116 868)	14 233	131 101	(112 363)	18 737
Plant and machinery	1 156 401	(628 027)	528 374	1 156 401	(512 387)	644 014
Infrastructure	25 648 715	(6 758 906)	18 889 810	17 741 579	(5 550 721)	12 190 858
Motor vehicles	998 578	(704 497)	294 081	998 578	(596 064)	402 514
Work in progress	1 934 894	-	1 934 896	4 842 588	-	4 842 588
	<b>40 312 641</b>	<b>(9 565 469)</b>	<b>30 747 175</b>	<b>33 420 859</b>	<b>(7 908 598)</b>	<b>25 512 261</b>

The Council's property, plant, and equipment held at cost amounted to N\$ 40 312 644 (2020), and N\$ 33 420 859 (2019) inclusive of work in progress.

All the Council assets were constructed and/or purchased through government funding.

As at the end of the reporting period, the Council had no capital expenditure contracted for but not incurred.

There were no assets held for disposal as at 30 June 2020.

No assets held as security by creditors.

**VILLAGE COUNCIL OF TSES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**2. Property, plant, and equipment (continued)**

**Property, plant, and equipment reconciliation - 2020**

	Work in Progress	Land and buildings	Computer & Office Equipment	Furniture, Fixture & Fittings	Plant & Machinery	Motor Vehicles	Infrastructure	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance 01/07/2019	4 842 588	7 408 870	4 680	18 737	644 014	402 514	12 190 858	25 512 261
Additions	2 688 674	-	-	-	-	-	2 548 521	5 237 196
Totals	7 531 262	7 408 870	4 680	18 737	644 014	402 514	14 739 379	30 749 457
Transfers	(5 596 366)	-	-	-	-	-	5 596 366	-
Other movements	-	1 892 340	-	-	-	-	(237 751)	1 654 589
Totals	1 934 896	9 301 210	4 680	18 737	644 014	402 514	20 097 994	32 404 046
Depreciation	-	(215 429)	(4 680)	(4 504)	(115 640)	(108 433)	(1 208 185)	(1 656 871)
Closing balance 30/06/2020	1 934 896	9 085 781	-	14 233	528 374	294 081	18 889 809	30 747 175

VILLAGE COUNCIL OF TSES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2. Property, plant, and equipment (continued)

Property, plant, and equipment reconciliation – 2019

	Work in Progress	Land and buildings	Computer & Office Equipment	Furniture, Fixture & Fittings	Plant & Machinery	Motor Vehicles	Infrastructure	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance 01/07/18	3 274 849	7 591 237	14 660	28 262	100 903	987 504	13 282 318	25 279 733
Additions	1 567 739	-	-	-	133 400	36 948	-	1 738 087
Totals	4 842 588	7 591 237	14 660	28 262	234 303	1 024 452	13 282 318	27 017 820
Transfers	-	-	-	-	515 968	(515 968)	-	-
Totals	4 842 588	7 591 237	14 660	28 262	750 271	508 484	13 282 318	27 017 820
Depreciation	-	(182 367)	(9 980)	(9 524)	(106 257)	(105 970)	(1 091 461)	(1 505 559)
Closing balance 30/06/2019	4 842 588	7 408 870	4 680	18 738	644 014	402 514	12 190 857	25 512 261

No identifiable impairments to items of property, plant and equipment were recorded as at 30 June 2020. Neither were there projects whose undertaking were due to changes in the manner of use for which management had initially intended.



**VILLAGE COUNCIL OF TSES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**2. Property, plant, and equipment (continued)**

**Work in progress schedule:**

Project start date	Completion date	Cost	2019		2020		30/06/2020 Transfers
			VAT Excluded	N\$	VAT Included	N\$	
Sewer reticulation WIP	2009 2019/08/15	6 727 319	4 584 063	1 012 303	5 596 366		
Borehole- water reticulation	19/03/13 2020/07/08	2 988 082	389 750	1 676 371	-		
		<b>9 715 401</b>	<b>4 842 588</b>	<b>2 688 674</b>	<b>5 596 366</b>		

During the financial year ended 30 June 2020, the economic entity had work in progress amounting to N\$ 2 688 674 attributable to the construction of a sewer reticulation in Soutputz North, and water reticulation in Tses.

The sewer project initially commenced in the year 2009 and stopped in 2012 due to delayed funding. The project resumed in October 2018 and was completed in August 2019.

These capital projects are anticipated to serve a community of approximately 2 500 residents with renewal of these assets expected after 40 years from completion.

The projects were fully funded by the government of Namibia through the Ministry of Urban and Rural Development (Line Ministry). The Council does not have an assets maintenance and renewal plan and continues to look to the Line Ministry for support of all its capital projects.

VILLAGE COUNCIL OF TSES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

ANNEXURE F

3. Intangible assets

	2020		
	Cost	Accumulated Amortisation	Carrying Amount
	N\$	N\$	N\$
Vending System	285 000	-	285 000
Finstel System	104 638	-	104 638
	389 638	-	389 638

Reconciliation of intangible assets - 2020

	Opening Balance	Acquisitions	Disposals	Amortisation	Total
	N\$	N\$	N\$	N\$	N\$
Vending System	285 000	-	-	-	285 000
Finstel System	104 638	-	-	-	104 638
	389 638	-	-	-	389 638

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**Reconciliation of intangible assets -  
2019**

	<b>Opening Balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Amortisation</b>	<b>Total</b>
	N\$	N\$	N\$	N\$	N\$
Vending System	285 000	-	-	-	285 000
Finstel System	104 638	-	-	-	104 638
	<u>389 638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389 638</u>

There has not been any accumulated amortisation on the Council's intangible assets due to its new 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 assets though management is reviewing the operational effectiveness of its accounting system in consideration of the IPSAS framework requirements; and

There has not been a change in costs, which would result in the Council reviewing the need to continue using the intangible assets.

<u>2020</u>	<u>2019</u>
N\$	N\$

**4. LONG TERM RECEIVABLES**

Build Together loans receivables

<u>1 301 561</u>	<u>1 379 981</u>
------------------	------------------

Build Together loans relate to outstanding loans advanced to beneficiaries for the housing programme being undertaken by government to ensure housing to all low income Namibians.

The council is in the process of collecting data to ensure the Build Together financial instrument meets the requirements of IPSAS 28, Financial Instruments: Recognition and measurement.

It is management judgment that most of the Build Together loans to beneficiaries are highly likely to be impaired.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<u>2020</u>	<u>2019</u>
	N\$	N\$
<b>5. INVENTORY -- livestock</b>	<b>47 864</b>	-
Inventory - livestock	29 891	-
Inventory - stores	17 973	-

**Livestock as at 30 June 2020**

	<u>Number</u>	<u>Price per animal</u>	<u>Total</u>
		N\$	N\$
Bucks	12	1 443	17 316
Ram goat	-	1 588	-
Male	4	1 330	5 320
Female	1	1 330	1 330
Male	1	1 185	1 185
Female	4	1 185	4 740
	<b>22</b>		<b>29 891</b>

**Inventory as at 30 June 2019**

Ram goat	1	2 700	2 700
Bucks	9	700	6 300
Doe	22	800	17 600
	<b>32</b>		<b>26 600</b>

The Council is assessing the profitability of the livestock farming project due to various factors ranging from mortalities due to wild prey, draughts and thefts. The goats stand at 22 (2020) and 32 (2019).

The Council is working on a model to be used for reporting losses, costs, and gains on the livestock farming project within the transitional period.

Due to absence of a model in the previous basis of accounting, losses due to mortality have not been reported, so there is a possibility that expenses are understated.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>6. ACCOUNTS RECEIVABLE</b>		
Accounts receivables	9 059 402	8 079 698
Sundry debtors	-	87 333
<b>Total accounts receivables</b>	<b>9 059 402</b>	<b>8 167 031</b>
Allowance for doubtful debts	(7 297 667)	(7 243 742)
<b>Total Accounts receivables</b>	<b>1 761 735</b>	<b>923 289</b>

**Accounts receivables age analysis:**

Transaction	30	12 388
Current	354 065	90 243
30 Days	316 557	244 825
60 Days	276 070	155 160
90 Days	645 264	177 744
120 Days	169 748	155 596
120 Days +	7 297 667	7 243 742
<b>Total accounts receivables before allowance</b>	<b>9 059 401</b>	<b>8 079 698</b>

Allowance for doubtful debts as per prior year	7 243 742	-
Allowance for doubtful debts – 120 days +	(7 297 667)	-
<b>Increase in allowance for doubtful debts</b>	<b>(53 925)</b>	<b>-</b>

The economic entity employs a receivables management model that makes an allowance for doubtful debts at 120 days past due but not impaired. Accounts receivables show the Council's maximum exposure to credit risk. The Council uses the impaired credit loss model and anticipates making an allowance for expected credit loss model.

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>7. OTHER RECEIVABLES</b>	<b>36 600</b>	<b>-</b>
Salary Advances	36 600	-

Salary advances comprise of salaries advanced to seven (7) members of staff during the financial year.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

		<u>2020</u>
		N\$
<b>8. CASH AND CASH EQUIVALENTS</b>		
<b>Name of Bank</b>	<b>Nature of account</b>	
Bank Windhoek	Investment account	1 632
Bank Windhoek	Investment account	151 477
Bank Windhoek	Build Together disbursement	8 118
Bank Windhoek	Build together revolving	36 670
Bank Windhoek	Investment account	87 783
Bank Windhoek	Social events accounts	100
Bank Windhoek	Operational account	37 112
Bank Windhoek	Investment account	1 684
<b>Total cash at bank</b>		<u><b>324 576</b></u>
Cash on hand		90 206
Cash shortage recorded		(90 206)
<b>Total cash and cash equivalents</b>		<u><u><b>324 576</b></u></u>
<b>Cash differences:</b>		
Cash from electricity sales - 2020		90 206
Cash from electricity sales - 2019		51 404
Cash from electricity sales - 2018		115 412
<b>Total differences to date</b>		<u><u><b>257 022</b></u></u>

A reconciliation of cash on hand by the Council and Dilco (PTY) LTD revealed cash differences amounting to N\$ 90 206 (2020), N\$ 51 404 (2019), and N\$ 115 412 (2018) between the Finstel system record and the vending system as per the Dilco head office record.

Dilco (PTY) LTD is the company from which the Council purchased the electricity vending machine used for electricity sales.

The differences resulted in the dismissal of the individual employed as a cashier.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**9. PREPAYMENTS**

License number	Vehicle Model	License Expiry date	Financial year end	License fee	Prepayment
				N\$	N\$
RXW023H	Hyundai Bakkie	28/02/2021	30/06/2020	900	608
SLVV462H	Toyota Hilux	28/02/2021	30/06/2020	900	608
RYF815H	Toyota Quantum	30/09/2020	30/06/2020	1 440	368
RZK867H	Venter Super	30/09/2020	30/06/2020	276	71
RTY406H	Mazda BT - 50	30/11/2021	30/06/2020	900	375
RYK900H	Toyota L/Cruiser	30/11/2021	30/06/2020	1488	620
RYG311H	Toyota Corolla	30/11/2021	30/06/2020	732	305
					<b>2 955</b>

Prepayments relate to unexpired motor vehicle licenses at the end of the financial year. There were seven (7) motor vehicles with unexpired road licenses as at the end of the financial year.

	2020 N\$	2019 N\$
<b>10. ACCOUNTS PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>14 429 586</b>	<b>11 523 608</b>
Namwater	8 759 517	7 312 181
Nampower	5 483 820	3 188 051
Third party payments	160 672	-
Other accounts payables	25 577	1 023 376

VILLAGE COUNCIL OF TSES  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
<b>10. ACCOUNTS PAYABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>Namwater</b>	<b>8 759 517</b>	<b>7 312 182</b>
Opening balance	7 312 181	6 059 645
Bulk purchases	695 992	448 552
Interest charge	653 383	745 478
Value Added Tax	97 961	58 507
<b>Nampower</b>	<b>5 483 820</b>	<b>3 188 052</b>
Opening balance	3 188 051	683 014
Bulk purchases	1 648 987	1 768 027
Interest charge	367 627	439 119
Value Added Tax	247 348	264 384
ECB Levy	18 125	18 686
NEF Levy	13 682	14 822

**11. ACCOUNTS PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Financial year	Assessed rate & taxes	5% Levy	5% Levy
Ended 30 June 2017	130 061	6 503	6 503
Ended 30 June 2018	136 422	6 821	6 821
Ended 30 June 2019	136 422	6 821	6 821
Ended 30 June 2020	136 422	6 821	-
<b>Total Accounts payables from non-exchange transactions</b>	<b>539 327</b>	<b>26 966</b>	<b>20 145</b>

Accounts payables from non-exchange transactions are solely attributable of the 5% Regional Council levy assessed on rates and taxes annually.



**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>12. VALUE ADDED TAX</b>	<b>581 135</b>	-

The Value Added Tax amounting to N\$ 581 135 is the amount by which output VAT exceeds input VAT.

Value Added Tax becomes an obligation to the Receiver of Revenue when the Council raises an invoice and is declared to Receiver of Revenue whether cash has been received or not.

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>13. SHORT TERM EMPLOYEE PROVISIONS</b>	<b>589 961</b>	<b>515 628</b>
Leave provision	529 823	515 628
Bonus provision	60 138	-

Short term employee provisions are contractual obligations arising from employment that Tses village Council is anticipated to discharge where in case of leave provision, an employee resigns, or is retrenched, and in case of bonus, where an employee offers services continuously up to the birthday anniversary, resignation, or retrenchment whichever comes first.

The bonus provision unwinds every year and does not accumulate, whereas the leave provision accumulates and reduces through leave days taken by the employee.

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>14. OTHER CREDITORS</b>	<b>538 166</b>	<b>50 129</b>
Retention fee	412 682	19 586
Property sales	125 484	30 020
Consumer deposits	-	523
<b>Retention fees:</b>	<b>412 682</b>	
Retention - bulk water project	227 109	
Retention - sewer reticulation Soutputz North	161 177	
Retention - Growerand	24 396	

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>15. SERVICE CHARGES</b>	<b>5 422 921</b>	<b>4 283 437</b>
Cleansing - private	289 510	249 850
Water private	2 468 863	1 742 827
Electricity - prepaid	2 384 437	785 352
Water - private 1	-	1 231 358
Sewerage - private	280 111	274 050

Service charges are the biggest source of exchange transactions revenue for the Council.

The increase in water and electricity sales is attributable to the lifting of restrictions due to the corona virus pandemic and the directive from the government requiring that all households gain access to water as a way of ensuring adequate sanitation.

<b>16. PERMISSION TO OCCUPY</b>	<b>230 940</b>	<b>231 006</b>
Land occupation (rental)	230 940	231 006

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

<b>17. RENTAL INCOME</b>	<b>105 422</b>	<b>173 770</b>
Sports ground rental	-	300
Rental - hall	700	21 652
Rental - houses	76 811	145 418
Rental stands	5 700	5 500
Rental — Town lands	-	900
MTC tower site rental	22 211	-

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>18. OTHER INCOME</b>	<b>52 597</b>	<b>116 807</b>
Duplicating fees	-	278
Sundry	667	4 957
Burial fees	390	280
Camp site	2 800	5 510
Connection fees	28 108	23 536
Water basic	1 543	2 660
Water reconnection and connection fees	11 913	31 461
Electricity connection and reconnection	2 609	434
Sundry income	1 120	652
Transport - Quantum	-	21 660
ECB Levy	-	3 779
Tender document	1 800	21 600
Administration levy	1 397	-
Building plans	250	-
<b>19. INTEREST</b>	<b>104 825</b>	<b>44 967</b>
Build Together loan interest	77 316	-
Interest from call accounts	27 509	44 967
<b>20. ASSESSMENT RATES</b>	<b>136 423</b>	<b>136 423</b>

Property rates are assessed on improvements and property (land) owned by residents and businesses in the Council area in terms of Section 73 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

## VILLAGE COUNCIL OF TSES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>21. GOVERNMENT AND OTHER DEPARTMENTAL TRANSFERS</b>	<b>4 978 973</b>	<b>7 976 344</b>
Contributions - central government	875 000	1 262 081
Contribution - central government	2 646 486	513 774
Operational transfers - salaries	-	2 004 719
Capital transfers	-	2 874 719
Maximum demand	548 672	649 853
RFA funding	908 815	671 198

Transfers from government comprise capital and operational subsidy. There are no unspent amounts on all transfers for the year. The Road Fund allocation was spent on road maintenance.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>22. GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>1 360 060</b>	<b>1 398 320</b>
Protective clothing	-	16 862
Rate per kilometer (CEO)	41 402	57 360
Workmen's compensation	-	2 153
Cellphone allowance	22 800	22 800
Advertising	-	7 247
Bank charges	69 555	105 278
Entertainment	29 051	28 926
Accommodation CEO	-	42 813
NEF Levy	13 682	14 822
ECB Levy	18 125	18 686
Insurance	119 163	137 047
Legal and surveyor's fees	15 075	14 188
License: Computer	85 547	61 631
License vehicles	6 692	8 608
Materials and stores	91 594	59 082
Membership fees	21 700	1 250
Postage and telephone	126 515	122 466
Printing and stationery	60 213	67 351
Travelling and accommodation	198 628	260 480
Cleansing charges	-	4 840
Buildings	-	209 946
Cleaning of Town	63 824	6 736
Tools and equipment	-	5 652
Town lands	-	5 000
Vehicles	-	107 896
Computer - Finstel	-	9 200
Allowance for doubtful debts - increase	53 924	-
Duplicating services	642	-
Contingent expenses	58 162	-
Consultancy fee	256 853	-
Staff transfer and training	6 913	-

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2020	2019
	N\$	N\$
<b>23. EMPLOYEE COST</b>	<b>3 442 973</b>	<b>3 255 846</b>
Salaries and wages	1 588 095	1 476 523
Overtime	173 571	198 033
Standby allowance	13 000	14 000
Service bonus	123 434	122 401
Medical aid fund contribution	681 396	585 045
Social Security contribution	12 200	12 158
Pension fund contribution	236 556	237 596
Housing allowance	409 469	412 918
Transport allowances	205 252	197 172

Employee costs recognised in the statement of surplus or deficit relate to salaries which are payable after an employee renders service.

Employee costs include pension falling due after completion of employment. The Council's pension plan is administered by GIPF.

Salaries, wages and allowances represent the largest expense category for the Council. However, salaries, wages and allowances are paid to the Council employees in terms of the gazette rates.

**Remuneration for managers**

	<b>Chief Executive Officer</b>	<b>HR Officer</b>	<b>Accountant</b>	<b>Artisan foreman</b>
	N\$	N\$	N\$	N\$
Basic salary	194 862	152 985	152 985	152 985
Service bonus	16 078	12 875	12 623	12 875
Allowance/subsidy	89 316	7 704	7 704	7 704
Housing allowance	77 946	61 194	30 597	30 597
Social Security	972	972	972	972
Medical fund	68 760	77 050	76 972	99 498
Pension fund	31 178	24 478	24 478	24 478
<b>Total remuneration</b>	<b>479 112</b>	<b>337 258</b>	<b>306 331</b>	<b>329 109</b>

Remuneration of key management personnel responsible for the strategic direction of the Council has been set out above in line with the provisions of IPSAS 20, Related Parties paragraph 21. All remuneration was paid in accordance with gazette salary scale.

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**Remuneration for managers (continued)**

There were no loans made to management during the financial year and other years prior.

There were no changes to key staff composition due resignations or recruitment during the financial year.

**24. COUNCILLORS REMUNERATION** **191 065** **191 056**

Councillors' remuneration was paid in accordance with the gazette rates.

**25. REGIONAL COUNCIL LEVY** **6 821** **6 821**

The Regional Council levy is based on a 5% assessment of rates and taxes for the financial year ended 30 June 2020.

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>26. REPAIRS AND MAINTENANCE</b>	<b>1 440 333</b>	<b>1 284 588</b>
Repairs and maintenance - Vehicles	51 702	36 948
Repairs and maintenance - Water reticulation	11 740	99 734
Renovations - old office buildings	-	73 739
Road maintenance - RFA	908 815	671 198
Repairs and maintenance - Buildings	247 341	4 645
Repairs and maintenance - electricity network	58 510	214 569
Fuel and oil	162 225	183 755
<b>27. EMPLOYEE PROVISIONS</b>	<b>74 333</b>	
Leave provision adjustment	14 195	
Leave provision - 2020	60 138	
<b>Movement in provision</b>	<b>14 195</b>	
Leave provision - 2020	529 823	
Leave provision - 2019	(515 628)	

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>28. FINANCE COST</b>	<b>1 022 036</b>	<b>1 185 741</b>
Interest - Namwater	653 383	745 478
Interest charges - Nampower	367 627	439 119
Other interest charges	1 026	1 144

Finance costs are from Namwater and Nampower for overdue accounts on bulk water and electricity.

**29. RELATED PARTY DISCLOSURE**

Related parties arise where an individual either is a member of the governing body or is involved in the financial and operating decisions of the Council. This also extent to entities owned by key management personnel, Councilors, and close family members of such individuals, and other entities with significant influence on the reporting entity.

**Related party transactions – loans**

There were no loans advanced to top management, and Councilors during the financial year. However, the CEO had a salary advance as at the reporting date amounting to N\$ 5 000.

**Related parties — consumer cyclical billing**

**Management and Councilors**

Accounts for management were in good standing as at 30 June 2020 except for June billing, which is effected on the 20<sup>th</sup> of every month. Accounts for members of the Council were outstanding with N\$ 17 660.

No bad debts for the Council management and Councilors or other employees were written-off.

**Entities with significant influence**

No entities with significant influence hold accounts or any business interest with the Council except outstanding obligations to the Regional Council, which the Regional Council is mandated to collect a 5% rates and taxes levy as reported in note 25 of these financial statements.

**Related parties – Village Council**

Management and Councilors had no business or commercial interests in the Council for the financial year ended 30 June 2020.



**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**30. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/DEFICIT**

Surplus / Deficit	<b>(1 197 569)</b>
<b>Non - cash movement:</b>	
Depreciation	1 656 871
Employee provisions	74 333
Allowance for doubtful debts - increase Interest	53 924
<b>Total</b>	<b>1 785 128</b>
<b>Working capital changes</b>	<b>2 850 317</b>
Movement in inventory	(21 264)
Movement in accounts receivables	(838 447)
Movement in other receivables	(36 600)
Movements in prepayments	(2 954)
Movement in accounts payables from exchange transactions	2 905 978
Movement in accounts payables from non-exchange transactions	6 821
Movement in value added tax payable	581 135
Movement in other creditors	488 037
Other movements	(232 389)
<b>Net cash flow from operating activities</b>	<b>3 437 876</b>
<b>30.1 SALE OF GOODS AND SERVICES</b>	<b>4 968 598</b>
Opening accounts receivables before allowance	8 079 698
Add: Sales for the year	5 948 302
Less: Closing accounts receivables before allowance	(9 059 402)
<b>30.2 CASH PAID TO SUPPLIERS</b>	<b>2 929 600</b>
Opening accounts payables	11 523 608
Add purchases for the year	5 835 578
Less closing accounts payables	(14 429 586)

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**31. ADJUSTMENT TO STATEMENT OF SURPLUS OR DEFICIT**

<b>Opening accumulated surplus - 2019</b>	<b>12 027 997</b>
<b>Adjustments:</b>	
Depreciation on intangible asset	228 000
Derecognition of vending system from PPE	(285 000)
Recognition of Intangible	285 000
Work in progress	3 274 849
Council buildings	1 322 450
Land occupied by Council buildings	569 890
Computer and office equipment	(175 383)
Furniture, fixtures and fittings	(76 619)
Plant and machinery	(513 322)
Motor vehicles	(295 414)
Infrastructure	1 269 517
Derecognition of Hydro blast	(932 747)
Extraordinary item	(115 412)
Provision for bad debt reversal	(223 007)
Recognition of Finstel system	104 638
Other movements	472 384
<b>Total adjustments</b>	<b>4 909 824</b>
<b>Adjusted accumulated surplus or deficit as at 01 July 2019</b>	<b>16 937 821</b>

The adjusted statement of surplus or deficit above comprises of movements on items of property, plant and equipment in the schedule below.

**VILLAGE COUNCIL OF TSES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**Reconciliation of opening balance as at 01 July 2019**

	N\$	N\$	N\$	N\$	N\$	N\$	N\$
	Work in progress	Land and buildings	Computer & Office equipment	Furniture, fixture & fittings	Plant & Machinery	Motor vehicles	Infrastructure
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Closing balance as at 30 June 2018</b>	-	6 304 611	190 043	104 880	98 257	1 798 886	12 012 801
Other de-recognition	-	(605 714)	-	-	515 968	(515 968)	-
<b>Subtotal</b>	-	5 698 897	190 043	104 880	614 225	1 282 918	12 012 801
Opening balance as at 01 July 2018	(3 274 849)	(7 591 237)	(14 660)	(28 262)	(100 903)	(987 504)	(13 282 318)
<b>PPE adjustments/ movements</b>	<b>(3 274 849)</b>	<b>(1 892 340)</b>	<b>175 383</b>	<b>76 618</b>	<b>513 322</b>	<b>295 414</b>	<b>(1 269 517)</b>

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**Reconciliation of opening balance as at 01 July 2019 (continued)**

Recognition of assets was intended to ensure all the Council's items of property, plant and equipment are brought to the statement of financial position in line with accrual basis of accounting and the requirements of the new IPSAS financial reporting framework.

De-recognition of items was performed at asset register level where the item of property, plant and equipment was not traceable to a physical asset due to or a combination of the following reasons:

- The item recorded did not meet the definition of an asset
- The item recorded on the asset register was not a completed asset or project and therefore resulted in the capitalization of work in progress
- The item was revenue expenditure not capital expenditure

**32. MANAGEMENT'S ASSESSMENT OF GOING CONCERN**

The Council's current liabilities exceed its current assets, with Nampower and Namwater being contributors to the largest portion of outstanding creditors.

The Council still has power to levy rates and taxes and receives power supply grants from the government through the Ministry of Urban and Rural Development and other operational subsidies. On this basis, the financial statements have been prepared on a going concern basis with management expectation that the Council will continue in business in the near future.