



REPUBLIC OF NAMIBIA



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

Published by authority:

Price (Vat excluded) N\$ 108.00

Report no: 97/2021

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 Divundu for the financial year ended 30 June 2020, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, December 2021

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

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Divundu Village Council for the financial year ended 30 June 2020. These financial statements comprise the statement of financial position, statement of surplus or deficit, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts and notes to the annual financial statements for the year then ended.

In my opinion, except for the effects of the matter described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Divundu Village Council as at 30 June 2020 and its financial performance and their cash flow for the year then ended.

2. BASIS OF 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 in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

A Qualified audit opinion is being expressed due to the following:

2.1. Property Plant & Equipment

A material difference of N\$ 160 260 was observed between the depreciation calculated by the Council as N\$ 1 533 568 and the recalculated depreciation by the auditors amounting to N\$ 1 373 308. This difference is from the infrastructure calculation where the client deviated from the 50 years useful life as stated in its financial statements. The Village Council does not have an approved and documented depreciation policy in place;

2.2. Cash & Cash Equivalents

The Cash Flow Statement has a closing balance of N\$ 387 252, and this does not agree to the cash and cash equivalents in the Balance Sheet as at 31 March 2021 valued at N\$ 521 839, resulting in a difference of N\$ 134 587;

2.3. Payables

A difference amounting to N\$ 487 142 relating to accounts payable was observed between General Ledger N\$ 683 504 and the Age Analysis N\$ 1 170 646;

2.4. Leave Accrued

Auditors observed that the provision for leave accrued balance was understated by N\$ 38 074. The total leave provision accrued as per the leave report audited which amounted to N\$ 306 254, while the amount on the financial statement reflected N\$ 268 180.

2.5. Leave days

Auditors also observed that the 2.0833 days for month of June 2020, was not included for all twenty-seven (27) employees when auditors inspected the leave cards. It is in contravention of the employees' contract, terms of Section 3 paragraph (H), which states that all employees are entitled to maximum twenty-five (25) working days annual leave per year.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the audit opinion thereon, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

4. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 87(2) of the Local Authorities Act, 1992 and legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease

operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- Evaluate the appropriateness of accounting policies uses 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

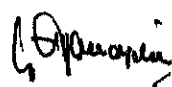
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted by the Accounting Officer to the Auditor-General in terms of Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

8. ACKNOWLEDGEMENT

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

WINDHOEK, December 2021


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

General Information

Legal form of Organisation	Local Authority
Nature of business and principal activities	Local Government
Grading of local authority	Village Council
Substantive CEO	AN Maghumbo
Accountant	Abraham Limbere
Business Address	ERF No. 377, Trans-Zambezi Highway, Divundu
Postal Address	P.O. Box 5266, Divundu
Bankers	First National Bank, Standard Bank
Auditors	Auditor General Namibia
Members of the audit committee (Chairperson) Josef Dinyando (Deputy Chairperson) Josofine M. Maghambayi (Committee member) Fulgensia M. Mukendenge (Committee member) Frans Mwamo (Committee member) Christoph K. Kupembona	
Legislation governing the Village Council	The Constitution of the Republic of Namibia Local Authorities Finance Act

INDEX

Statements and notes set out below comprise annual financial statements for the Village Council:

Content	Page
Statement of Financial Position	6
Statement of Surplus or Deficit	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of comparison of budget and actual amounts	10 - 21
Statement of accounting policies	22 - 43
Notes to Annual Financial statements	44 - 62

ANNEXURE A

VILLAGE COUNCIL OF DIVUNDU

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 N\$
ASSETS		
Current assets		54 844 708
Cash and cash equivalents	6	521 839
Accounts receivables	7	1 194 563
VAT Receivable	8	298 114
Inventories	9	52 409 338
Prepayments	10	3 581
Other receivables	5	417 274
Non-current assets		629 397 234
Property, plant and equipment	2	625 176 823
Intangible assets	3	204 650
Investments	4	3 509 090
Long term receivables	5	506 671
Total assets		684 241 943
LIABILITIES		
Current liabilities		3 249 416
Accounts payables	11	671 874
Accrued expenses	11	490 797
Employee provisions	13	353 925
Other creditors	14	1 556 286
Retention fees	15	176 534
Non-current liabilities		504 373
Cadastral - land use	16	504 373
Total Liabilities		3 753 789
Net assets		680 488 153
NET ASSES/EQUITY		
Accumulated surplus / deficit		680 488 153
Total net assets/equity		680 488 153

ANNEXURE B

VILLAGE COUNCIL OF DIVUNDU

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

		2020
	Note	N\$
Revenue		
Revenue from exchange transactions		2 678 963
Service charges	17	1 450 969
Property sales	18	800 740
Surcharge income	19	98 721
Fitness certificates		2 840
Permission to occupy		81 269
Rental income	20	12 000
Interest	21	5 445
Other revenue	22	226 979
Revenue from non-exchange transactions		7 197 368
Transfers - Namibia government	23	3 982 333
Transfers - other government departments	23	710 035
Audit grant - OAG		130 000
Donations	24	2 375 000
Total revenue		9 876 332
Expenses		10 467 706
General and administrative expenses	25	1 444 360
Employee costs	26	4 560 449
Councillors' remuneration	26	191 056
Repairs and maintenance	27	704 588
Bulk water		903 467
Depreciation	2	1 533 568
Impairment - BT	28	429 859
Leave Provision		32 929
Bonus Provision	13	85 744
Allowance for doubtful debts	7	77 311
Cadastral (irregular land use)	16	504 373
Total expenses		10 467 706
Surplus / (deficit) for the year		(591 374)

ANNEXURE C

VILLAGE COUNCIL OF DIVUNDU

STATEMENT OF CHANGES IN ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	
		N\$	
		Accumulated surplus/deficit	Total net assets/equity
Opening balance as at 01 July 2019	29	6 520 363	6 520 363
IPSAS Adjustments:			
Recognition of undeveloped land		583 344 048	583 344 048
Recognition of developed land		551 192	551 192
Recognition of head office building		14 214 937	14 214 937
Recognition of infrastructure	30	14 163 485	14 163 485
Recognition of serviced land (inventory)		52 353 980	52 353 980
Recognition of work in progress	31	5 069 860	5 069 860
Recognition of intangibles		204 650	204 650
Recognition of investment in Nored		3 509 090	3 509 090
Recognition of BT receivables		1 015 761	1 015 761
Recognition of long-term receivables		562 968	562 968
Recognition of liabilities		(949)	(949)
Recognition of impairment to BT		(429 859)	(429 859)
Balance as at 01 July 2019		681 079 526	681 079 526
Surplus or deficit for the year		(591 374)	(591 374)
Net assets / equity as at 30 June 2020		680 488 152	680 488 152

VILLAGE COUNCIL OF DIVUNDU
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 N\$
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus / deficit		(591 374)
Adjustments	32	(3 596 245)
Net cash flow from operating activities		(4 187 619)
CASH FLOW FROM INVESTING ACTIVITIES		
Construction of infrastructure		(1 194 064)
Proceeds from sale of plant and equipment		-
Government transfers		4 692 368
Net cash flow from investing activities		3 498 304
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings		-
Dividend paid to government		-
Net cash flow from financing activities		-
Net increase/(decrease) in cash and cash equivalents		(689 315)
Cash & cash equivalents at the beginning of the period		1 076 567
Cash and cash equivalents at the end of the period		387 252

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 6.

The Village Council has no undrawn balances for capital projects.

ANNEXURE E

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Statement of surplus or deficit							
Revenue: exchange transactions							
Service charges	2 892 700	-	2 892 700	1 450 969	-	1 441 731	50%
Property sales	800 000	-	800 000	800 740	-	(740)	0%
Surcharge income	72 000	-	72 000	98 721	-	(26 721)	(37%)
Fitness certificates	2 100	-	2 100	2 840	-	(740)	(35%)
Permission to occupy	-	-	-	81 269	-	(81 269)	(100%)
Rental income	-	-	-	12 000	-	(12 000)	100%
Interest	11 000	-	11 000	5 445	-	5 555	50%
Other revenue	3 777 800	-	3 777 800	226 979	-	3 550 821	94%
Sub-total	7 555 600	-	7 555 600	2 678 963	-	4 876 637	65%

VILLAGE COUNCIL OF DIVUNDU

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Revenue: non-exchange transactions							
Transfers - Namibia government	3 500 000	420 000	3 920 000	3 982 333	-	(62 333)	(2%)
Transfers - other government departments	640 300	-	640 300	710 035	-	(69 735)	(11%)
Audit grant – OAG	5 000	-	5 000	130 000	-	(125 000)	(2500%)
Donations	-	-	-	2 375 000	-	(2 375 000)	100%
Sub-total	4 145 300	420 000	4 565 300	7 197 368	-	(2 632 068)	(58%)
Grand total	11 700 900	420 000	12 120 900	9 876 332	-	2 244 568	19%

The original budget is the lower of the budget approved by the Village Council. It is an estimate of the appropriations derived from an estimate of the resources for use during the 2019/2020 financial year.

The final budget is the amounts approved by the Village Council with movements attributable to a revision of estimates. The movements are not attributable to currency exchange rates.

ANNEXURE E

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Expenses							
General and administrative expenses	2 317 200	-	2 317 200	1 444 360	-	872 840	38%
Employee costs	5 422 354	-	5 422 354	4 560 449	-	861 905	16%
Councillors' remuneration	191 055	-	191 055	191 056	-	(1)	-
Repairs and maintenance	770 300	-	770 300	704 588	-	65 712	9%
Bulk water	800 000	-	800 000	903 467	-	(103 467)	(13%)
Depreciation	-	-	-	1 533 568	-	(1 533 568)	(100%)
Impairment - BT	-	-	-	429 859	-	(429 859)	(100%)
Leave Provision	300 000	-	300 000	32 929	-	267 071	(100%)
Bonus Provision	-	-	-	85 744	-	(85 744)	(100%)
Allowance for doubtful debts	-	-	-	77 311	-	(77 311)	(100%)
Cadastral (irregular land use)	-	-	-	504 373	-	(504 373)	(100%)
Total expenses	9 800 909	-	9 800 909	10 467 706	-	(666 796)	(7%)
Surplus or deficit	1 899 991	420 000	2 319 991	-591 374	-	2 911 365	125%

VILLAGE COUNCIL OF DIVUNDU

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
CAPITAL BUDGET STATEMENT COMPARISON							
Capital expenditure and funds sources							
Total capital expenditure	1 194 065	-	1 194 065	1 194 065	-	-	-
Sources of capital funds							
Transfers recognised – capital	-	-	-	-	-	-	-
Government contributions	1 149 403	-	1 149 403	1 149 403	-	-	-
Internally generated funds	44 662	-	44 662	44 662	-	-	-
Total: Sources of capital funds	1 194 065	-	1 194 065	1 194 065	-	-	-

ANNEXURE E

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

	Original Budget	Budget adjust ments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Unspent amounts							
Expenses							
Office inauguration	50 000		50 000	-	-	50 000	100%
Telephone and fax	16 300		16 300	-	-	16 300	100%
Vehicle	450 000		450 000	-	-	450 000	100%
Computer equip capital outlay	35 000		35 000	-	-	35 000	100%
Office equip - conference system	215 000		215 000	-	-	215 000	100%
Material and stores	2 000		2 000	-	-	2 000	100%
Strategic plan	90 000		90 000	-	-	90 000	100%
Cartridge and tonner	20 000		20 000	-	-	20 000	100%
Repairs and maintenance - office furniture	6 000		6 000	-	-	6 000	100%
Computer equipment - capital outlay	75 000		75 000	-	-	75 000	100%

VILLAGE COUNCIL OF DIVUNDU

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Expenses (continued)							
Insurance and excess	113 000		113 000	-	-	113 000	100%
Legal expenses	30 000		30 000	-	-	30 000	100%
Asset coding system	30 000		30 000	-	-	30 000	100%
Rental of photocopy machine	31 000		31 000	-	-	31 000	100%
Decentralised BT committee	5 000		5 000	-	-	5 000	100%
Bad debts	3 000		3 000	-	-	3 000	100%
Standby allowance	32 000		32 000	-	-	32 000	100%
Tera-flex Advance cloud	5 750		5 750	-	-	5 750	100%
Accuracy subscription fee - metre	9 000		9 000	-	-	9 000	100%
Small tools and equipment	55 000		55 000	-	-	55 000	100%

ANNEXURE E

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Expenses (continued)							
Material electrical	20 000		20 000			20 000	100%
3-phase metre installation	22 000		22 000			22 000	100%
HIV AIDS and Wellness	20 000		20 000			20 000	100%
Laboratory services	5 000		5 000			5 000	100%
Material	35 000		35 000			35 000	100%
Steel refuse bins	18 000		18 000			18 000	100%
Dust bins / Wheelie bins	150 000		150 000			150 000	100%
Repairs - water metres	15 000		15 000			15 000	100%
Plant and machinery - capital outlay	30 000		30 000			30 000	100%
Water and electricity - Natis	2 500		2 500			2 500	100%

VILLAGE COUNCIL OF DIVUNDU

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Expenses (continued)							
Photocopying	20 000		20 000			20 000	100%
Postage and courier	3 600		3 600			3 600	100%
Total	1 614 150		1 614 150	-	-	1 614 150	100%
Revenues							
Printing of transaction history	500		500	-	-	500	100%
Income from bid documents	10 000		10 000	-	-	10 000	100%
Reprint of payslips	100		100	-	-	100	100%
Interest on overdue accounts	25 000		25 000	-	-	25 000	100%
Duplicate account	500		500	-	-	500	100%
Surplus banked	800		800	-	-	800	100%
Fines and penalties	10 000		10 000	-	-	10 000	100%
Rental of sites	72 000		72 000	-	-	72 000	100%
Rental of refuse bins	12 600		12 600	-	-	12 600	100%
Garden refuse	560		560	-	-	560	100%
Fines and penalties	18 000		18 000	-	-	18 000	100%
Training	500		500	-	-	500	100%

ANNEXURE E

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

	Original Budget	Budget adjustments	Fin adjusted budget	Actual outcome	Unauthorised expenditure	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Revenue (continued)							
Water levies	1 050	-	1 050	-	-	1 050	100%
Borehole	14 400	-	14 400	-	-	14 400	100%
Prepaid water metre	132 000	-	132 000	-	-	132 000	100%
Roads authority subsidy	952 660	-	952 660	-	-	952 660	100%
Total	1 250 670	-	1 250 670	-	-	1 250 670	100%

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

Budget comments on variances

Service charges

The 50% variance on service charges is a result of lower consumption of services than the Village Council anticipated.

Surcharge revenue

The vote was under budgeted because the Village Council could not make a near accurate forecast of the units of electricity sales for the financial year. This is the first financial year the Village Council is receiving a commission from electricity sales.

Permission to occupy revenue

The Council is reviewing the status of the permission to occupy agreements inherited from the Regional Council and is going to incorporate revenue from permission to occupy on its budget beginning with the forth coming financial year.

Other revenue

The 12% above budget is attributable to Natis administration fee of N\$ 41 113 which formed part of revenues in the third quarter of the year and had not been budgeted for.

Transfers – Namibia government

The 14% under budget is as a result of further applications for grant income of N\$ 420 000 which was approved by the Line Ministry.

Transfers - other government departments

Road fund Authority grant: The variance of 11% is as a result of using the prior year allocation received from RFA. The Village Council may not accurately determine the expenditure attributable to the general maintenance that could be needed in a financial year as maintenance needs vary from year to year.

Auditor General Transfer:

The Village Council shall communicate with the Office of the Auditor-General to ensure accurate amount is obtained for budgetary purposes. The 2500% variance is due to inadequate information on audit costs.

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

Donations

The donation of a Fire Truck was not anticipated by the Village Council, so it was not included in the budget.

General expenses

The Village Council's revenue collection forecast fell below anticipated level. This meant the budgeted expense items were postponed due to inadequate financing.

Employee costs

The Village Council's budget was inclusive of salary increments which were not approved.

Bulk water

The variance on bulk water purchases was as a result of wrong estimate of the demand on water usage.

Depreciation, impairment, and provisions

The Village Council did not budget for these accrual basis line items due to the financial reporting framework the Village Council used previously. The only provision which the Village Council budgeted for was leave provision because it is a statutory provision. As the Village Council has adopted IPSAS, these non-cash expenses shall be budgeted for in line with the requirements of the relevant IPSAS.

Unspent votes

The Village Council is working on ensuring that its staff acquire competent skills in the preparation of budgets to ensure variances and unspent votes are minimized. Most of the unspent votes were due to wrong budget forecasts.

Capital expenditure budget comments

During the financial year, the economic entity had capital projects which were commenced before proclamation and the Kavango East Regional Council commissioned these capital projects. One of these capital projects reported in these financial statements relates to the construction of a sewer treatment plant and the establishment of a location in Divundu West extension 3.

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

Capital expenditure budget comments (continued)

As at the reporting date, work in progress which is part of the already commissioned extension 3 project amounted to N\$ 1 149 403. The sewer treatment plant in extension 3 has since been completed whereas the water and sewer reticulation systems are still work in progress.

In addition, the village Council's response to Covid19 resulted in the installation of public water taps amounting to N\$ 44 662 during the year.

The economic entity has no commitment to/with third parties on future capital projects except for the existing capital projects already commissioned and are all work in progress.

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

Statement of Accounting Policies**1. Basis of preparation and significant accounting policies**

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

In its transition to accrual basis IPSAS, The Village Council took advantage of exemptions that affect fair presentation for reporting financial information relating to International Public Sector Accounting Standards specified under IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards paragraph 36. As a result, The Village Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020.

The Village Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2022 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

With respect to unavailability of accounting policies in the previous financial reporting framework used to report financial information by the Village Council, asset and liabilities shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to specific items.

Presentation currency and rounding

The financial statements are presented in Namibia dollars which is the Village Council's presentation and functional currency, and all values, including Councilors' remuneration disclosures in note 26 are rounded off.

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

Statement of Accounting Policies (continued)**1.1 Changes in accounting policy**

Accounting policies applied to all IPSASs that Divundu Village Council has adopted may not be consistent in some instances with how financial information was being reported in prior financial periods and beyond. IPSAS 3, allows a change in accounting policy where such a change:

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

1.2 Transitional exemptions that do not affect fair presentation

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

IPSAS 1, Presentation of financial statements

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

Further, the standard encourages the presentation of comparative figures, but does not make the presentation of comparative figures mandatory. In its first year of the three-year transitional period, The Village Council opts not to present comparative figures, but shall include in these financial statements non-IPSAS historical summaries (where necessary) in accordance with the previous accounting basis and disclose the nature of the main adjustments that would be required to comply with IPSAS.

Divundu Village Council disclosures

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

IPSAS 2, Statement of cash flows

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

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

Statement of Accounting Policies (continued)**Divundu Village Council disclosures**

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

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

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

Divundu Village Council 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.

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 authorized 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 Council determine after the reporting date that there is no realistic alternative but to do so).

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

Statement of Accounting Policies (continued)**Divundu Village Council disclosures**

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

IPSAS 19, Provisions, contingent liabilities, and contingent assets

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

Divundu Village Council disclosures

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

IPSAS 20, Related party disclosures

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

Divundu Village Council disclosures

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

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

Statement of Accounting Policies (continued)**IPSAS 21, Impairment of non-cash generating assets**

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

Divundu Village Council disclosures

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

IPSAS 24, Presentation of budget information in financial statements

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

Divundu Village Council disclosures

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

IPSAS 28, 29, and 30 financial instruments: Presentation, Recognition, Measurement, and Disclosure

These standards entail the criteria for recognising financial instruments in the Village Council's financial statements and the measurement of their carrying value, and the provision of information about factors that affect the amount, timing and certainty of future cash flows related to financial instruments, and the risks associated to those financial instruments. For the Village Council, the main financial instruments are accounts receivables, and accounts payables. The cash pool balance is treated as cash and cash equivalents

Divundu Village Council disclosures

The Village Council will disclose information as required by IPSAS 30. IPSAS 30 requires disclosure of information about the significance of financial instruments for the Village Council's financial position and financial performance.

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

Statement of Accounting Policies (continued)**IPSAS 31, Intangible assets**

This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. This standard further specifies how to measure the carrying amount of intangible assets and requires specific disclosures about intangible assets. The standard IPSAS 31 forms part of the regime of standards whose adoption affects fair presentation as per IPSAS 33, paragraph 33,

The Village Council judges it can comply with this standard in full on its initial adoption of accrual basis IPSAS.

Divundu Village Council disclosures

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

Expense recognition

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

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

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

Statement of Accounting Policies (continued)**1.3 Transitional exemptions that affect fair presentation**

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

IPSAS 12, Inventories

IPSAS 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.

1.4 IPSASs not adopted by Divundu Village Council

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

IPSAS 4, The effects of changes in foreign exchange rates

IPSAS 5, Borrowing costs

IPSAS 10, Financial reporting in hyperinflationary times

IPSAS 11, Construction contracts

IPSAS 13, Leases

IPSAS 16, Investment property

IPSAS 26, Impairment of cash-generating assets

IPSAS 27, Agriculture

IPSAS 32, Service concession arrangements: Grantor

IPSAS 34, Separate financial statements

IPSAS 36, Investment in associates and joint ventures

IPSAS 37, Joint arrangements

IPSAS 38, Disclosure of interest in other entities

IPSAS 40, Public sector combinations

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

Statement of Accounting Policies (continued)**1.5 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 Village Council may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The Village Council shall account for such information in the same way as non-adjusting events in accordance with IPSAS 14, Events after the reporting period. This, however, shall not apply where estimates were in error or the adjustment is due to differences in accounting policies.

Judgments exercised by management incorporate recent developments regarding the impact of the corona virus and its implications on the Village Council's financial reporting.

Provisions, contingent liabilities, and contingent assets

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

Accounts receivables, loans, and other receivables

The Village Council assesses its accounts receivables, loans, and other receivables at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, management makes 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 net of allowance for receivables. Management judges that the directive from the government requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) will increase uncollectable receivables as those customers were already defaulting on payments before the corona virus pandemic.

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

Statement of Accounting Policies (continued)**Allowance for slow moving, obsolete or damaged inventory items**

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

Useful lives of items of property, plant, and equipment

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

1.6 Offsetting

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

1.7 Value added tax (VAT) on goods and services

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

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

Commitments or contingencies are disclosed exclusive of value added tax.

1.8 Budget information

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

The approved budget is prepared on cash basis and covers the financial period beginning 01 July 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 cash basis and the financial statements have been prepared on the full accrual basis. A separate statement of comparison of actual and budget has henceforth been presented and forms part of these financial statements.

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

Statement of Accounting Policies (continued)**1.9 Going concern**

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

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 which initially was focused on Erongo Region is a material development which could have reasonably been expected to affect other parts of the country post reporting date.

1.10 Revenue

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

1.10.1 Revenue from exchange transactions

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

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

Recognition**Rendering of services**

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

- ☐ The amount of revenue can be measured reliably
- ☐ It is probable that future economic benefits or service potential associated with the transaction will flow to the entity.
- ☐ 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.

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

Statement of Accounting Policies (continued)**Rendering of services (continued)**

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

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

Sale of goods

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

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

As for land sales, the Village Council requires that 3 criteria be met for revenue to be recognised:

The purchaser must obtain Council approval (based on Council selection criteria) to qualify to purchase a plot(s) of land.

The purchaser must obtain ministerial approval for the purchase of an identified portion of land; and,

A full payment of the purchase price must be made by the purchaser to the Village Council.

Where the above criteria is not met, proceeds received by the Village Council from potential purchasers are accounted for as liabilities

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

Statement of Accounting Policies (continued)**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.

1.10.2 Revenue from non-exchange transactions

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

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

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

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

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

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

Statement of Accounting Policies (continued)**1.10.2 Revenue from non-exchange transactions (continued)**

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

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

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

Recognition

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

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

1.11 Investments

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

1.12 Property plant and equipment

The Village Council has adopted IPSAS as set out in the basis for preparation paragraph above. Amongst the IPSASs adopted is IPSAS 17 Property, Plant, and Equipment (PPE). In its previous basis of accounting, the Village 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.

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

Statement of Accounting Policies (continued)**1.12 Property plant and equipment (continued)**

The Village Council is in the process of recognising and/or measuring its items of property, plant, and equipment for inclusion in the financial statements during the transitional period beginning 01 July 208. The process of recognising and measuring items of property, plant, and equipment necessitates a continuous development of accounting policies relating to those items of PPE subsequently brought to the statement of financial position.

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

Recognition

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

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

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.

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

Statement of Accounting Policies (continued)**1.12 Property plant and equipment (continued)**

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

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

Recognition of costs in the carrying amount of an item of PPE ceases when the item is in the location, and condition, necessary for it to be operated in the manner intended by management. Major spare parts and standby equipment which are expected to be used for more than one period are included in PPE.

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

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

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 NAD\$ 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.

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Statement of Accounting Policies (continued)

1.12 Property plant and equipment (continued)

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

Assets which the Village Council holds for rental to others and subsequently routinely sells as part of the ordinary course of activities are transferred to inventories when the rentals 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 losses 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 if it is included in the cost of another asset. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The useful lives of items of property, plant and equipment have been assessed as follows:

TYPE OF ASSET	DEPRECIATION METHOD	(AVERAGE) USEFUL LIFE
Land and Buildings	Straight line	50
Furniture and Fittings	Straight line	(3 – 10)
Computer & Office Equipment	Straight line	(3 - 10)
Plant and Machinery	Straight line	(3 -15)
Motor Vehicles	Straight line	(4 – 15)
Infrastructure	Straight line	50

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

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

Statement of Accounting Policies (continued)**1.12.1 Site restoration and dismantling costs**

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

Measurement using the cost model:

- a) Subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of surplus or deficit;
- c) If the adjustment results in an addition to the cost of the asset, the Village Council considers whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised the statement of accumulated surplus or deficit on the date of the adoption of IPSAS and/or in subsequent accounting periods within the transitional period. The Village Council may rely on further guidance in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

1.13 Inventories

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

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

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

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

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

Statement of Accounting Policies (continued)**1.13 Inventories (continued)**

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

A provision is used only for the expenditures for which the provision was initially recognised.

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

Statement of Accounting Policies (continued)**1.14 Provisions and contingencies (continued)**

Provisions are not recognised for future operating deficits.

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

1.15 Employee benefits

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

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

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

Short term employee benefits

Short term employee benefits are benefits payable within a year of the end of the year in which an employee rendered services. Within the Village Council of Divundu, 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. Divundu Village Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN). The retirement fund was established in March 1992 and is registered in terms of both the pension Fund Act, No. 24 of 1956 and Income Tax Act. The pension plan is regarded as a group scheme involving more than one employer qualifying it as a defined contribution plan because:

The affiliated employers have no supplementary obligation to make additional contributions in the event of a deficit at RFLAUN nor are they entitled to any surpluses in addition to paying the premium set by RFLAUN; The members bear the actuarial and investment risk in full

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

Statement of Accounting Policies (continued)**Post-employment benefits (continued)**

- Each year, the premium is set by RFLAUN board on the basis of its own file data, with due regard for prescribed parameters or requirements.

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

Other long-term employee benefits

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

Termination benefits

These are benefits paid as a result of the Village Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised at the present value of the obligation.

1.16 Unauthorized expenditure

Unauthorized expenditure means:

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

1.17 Fruitless and wasteful expenditure

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

All fruitless and unauthorized expenditure are recognized 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 recognized as revenue in the statement of surplus or deficit.

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

Statement of Accounting Policies (continued)**1.18 Conditional grants and receipts**

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

1.19 Debt forgiveness

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

1.20 Bequests

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

1.21 Gifts and donations

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

Measurement

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

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

1.22 Fines

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

1.23 Investments

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

Statement of Accounting Policies (continued)

1.24 Transfers

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

1.25 Cash and cash equivalents

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

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Cost	2020 Accumulated depreciation	Carrying Amount
	N\$	N\$	N\$
2 Property, plant, and equipment	630 949 740	(5 772 917)	625 176 823
Land and buildings	598 110 177	(687 055)	597 423 122
Furniture, fixtures, & fittings	544 279	(257 485)	286 793
Computer and office equipment	180 165	(172 671)	7 495
Plant and machinery	933 538	(723 533)	210 005
Motor vehicle	3 768 431	(1 070 817)	2 697 614
Infrastructure	21 193 887	(2 861 356)	18 332 531
Work in progress	6 219 263	-	6 219 263

Land Hectares	SQM	Price/sqm N\$	Value N\$
19 459 252	19 459 252		
Allocations	(2 792 279)		
Land sales to date	(15 284)		
Serviced land – inventory	(1 495 828)	35	52 353 980
Other allocations	(1 267 366)		
Office building land size	(13 630)	40	545 200
Sewer treatment plant	(171)	35	5 985
Unallocated land	16 666 973	35	583 344 048

The schedule above shows the distribution of land in Divundu Village Council area to date. The Village Council recognises that some parts of the total land falling under Divundu Village Council is occupied by communal farmers who may have to be compensated for the land to fall under the control and ownership of the Village Council.

ANNEXURE F

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

	Work in progress	Land & Buildings	Furniture, Fixtures, & fittings	Computer & office equipment	Plant & Machinery	Motor Vehicles	Infrastructure	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance 01/07/2019	11 694 674	597 707 421	395 649	32 404	396 713	667 273	12 247 193	623 141 327
Additions	1 149 403	-	-	-	-	2 375 000	44 662	3 569 064
Disposals								
Total	12 844 077	597 707 421	395 649	32 404	396 713	3 042 273	12 291 855	626 710 391
Transfers:								
To infrastructure	(6 624 814)	-	-	-	-	-	6 624 814	-
Total	6 219 263	597 707 421	395 649	32 404	396 713	3 042 273	18 916 669	626 710 391
Depreciation		(284 299)	(108 856)	(24 910)	(186 708)	(344 658)	(584 138)	(1 533 568)
Closing balance 30/06/2020	6 219 263	597 423 122	286 793	7 494	210 006	2 697 614	18 332 531	625 176 823

VILLAGE COUNCIL OF DIVUNDU**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****2. Property, plant, and equipment (continued)**

The Village Council has taken advantage of the transitional provisions in IPSAS 33 and in the process adoption and implementation, it is possible that some assets may not have been recognised and/or measured in these financial statements. Those that were measured may not fully comply with IPSAS 17 Property, Plant and Equipment due to the nature and the time needed to measure them for inclusion in the 2019/20 Annual Financial Statements.

The Village Council's assets are not held as security by creditors.

None of The Village Council's assets are held for sale as at the reporting date

3. Intangible assets

	2020		
	Cost	Accumulated Amortisation	Carrying amount
	N\$	N\$	N\$
Microsoft Dynamics GP	204 650	-	204 650

Reconciliation of intangible assets – 2020

	Opening balance	Acquisitions	Disposals	Amortisation	Total
	N\$	N\$	N\$	N\$	N\$
Microsoft Dynamics GP	204 650				204 650
	204 650				204 650

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

In relation to impairment assessment of intangible assets;

There has not been a decline in performance of the intangible asset in relation to increasing volume of transactions; and,

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

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	N\$
4. Investments	3 509 090

The Village Council inherited the electrical reticulation as part of the assets constructed by the Kavango East Regional Council at proclamation. The inheritance and control of the assets restricted control over the electrical reticulation network which is under the control of Nored the power distributor.

As is the case with most local authorities in a similar arrangement with power distributors in Namibia (with the exception of NAMPOWER), the Village Council is entitled to an investment in Nored which is equivalent to the cost of the electrical reticulation assets under the control of Nored.

With the adoption of International Public Sector Accounting Standards (accrual basis IPSAS), the Village Council has a 3-year transitional period to measure all its assets and liabilities. The Village Council shall (within the transitional period) ascertain the investment in Nored whether it qualifies as an equity instrument and account for it in accordance with IPSAS 28.

5. Long term and other receivables	N\$
Long term receivables	506 671

Long term receivables are attributable to Build Together loans with a 20-year lifetime and all of them maturing in 2030. Long term receivables reported are for 15 Build Together beneficiaries with complete statistics which enabled the accurate determination of the long-term portion receivable. The Build Together project has a total number of 64 beneficiaries of which 5 beneficiaries are deceased and 44 have incomplete Build Together statistics ranging from unknown loan dates, unknown loans amounts, unknown interest percentages, and unknown redemption amounts to date.

The Village Council is working with the Regional Council to ensure completeness of Build Together records as the completeness of some of the statistics is traceable to inadequacy of controls from the beginning of the Build Together programme.

Other receivables	N\$
	417 274
Long term receivables - current portion	56 297
Loan receivable - Roads Authority	360 978

VILLAGE COUNCIL OF DIVUNDU**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****Other receivables (continued)**

Other receivables comprise the current portion of the long-term receivables that is due in 12 months from the end of the reporting date. The long-term receivables are attributable to 15 Build Together beneficiaries with complete statistics.

The long-term receivable from Roads Authority relate to the establishment of a Natis office in Divundu where Divundu Village Council advanced services which are reimbursable by Roads Authority within 12 months from the reporting date as agreed between the 2 parties. The arrangement commenced in February 2021 and extended to the 2021 financial year.

6. Cash and cash equivalents

Bank	Account name	Amount
		2020
		N\$
Total cash and cash equivalents		521 839
First National Bank	Investment account	31
First National Bank	Business call account	20 296
First National Bank	Call account	7 665
First National Bank	Demand deposit	455 741
First National Bank	BT - Cheque account	14 833
Standard bank Namibia	Business banking	23 274
Petty cash		1

Cash held with financial institutions (including call accounts) satisfy the definition of cash and cash equivalents. In consideration of Covid19, there were no circumstances triggering possible declines in value and restrictions on redemption of cash and cash equivalents. All cash and cash equivalents are accessible within a period of less than 7 days on notice with financial institutions.

7. Accounts receivables

Age analysis	262 502
Current	124 628
31 - 60 Days	33 197
61 - 90 Days	20 976
91 - 120 Days	11 331
120 Days+	72 370

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020
	N\$
7.1 Accounts receivables (continued)	
Adjusted accounts receivables	178 801
Accounts receivables	262 502
90 days past due	(83 701)
Accounts receivables - Build Together	1 015 761
Total accounts receivables	1 194 563

The Village Council did not calculate an allowance for doubtful debts on Build Together receivables as complete statistical data for the Build Together fund is not available, as there may be inconsistencies in measuring credit losses or impairment of credit losses for the individual Build Together loans.

Increase in allowance for doubtful debts	(77 311)
Allowance for doubtful debts for 2019 as per FS	6 390
Allowance for doubtful debts for 2020	(83 701)

The economic entity employs a receivables management model that makes an allowance for doubtful debts that are 90 days past due but not impaired. Accounts receivables show the Village Council's maximum exposure to credit risk exclusive of consumer deposits held by the village council to date.

8. Value added tax receivables	298 114
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The Value added tax (VAT) amounting to N\$298,114 is the amount by which input VAT exceeds output VAT. Value added tax becomes an obligation to the Receiver of Revenue when the Village Council raises an invoice and is declared to Receiver of Revenue whether cash has been received or not.

9. Inventories	52 409 338
Inventory - plots	52 353 980
Stores	55 358

Divundu Village Council measures inventory at the lower of cost and net realisable value for sundry items held in stores and inventory of plots is measured at N\$ 35 per square metre, as gazetted.

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Zoning	2020 Size (sqm)
Total serviced land	1 495 828
Residential (all)	965 089
Business	283 186
Churches	10 657
Light industrial	236 896
Price (N\$) per square metre	35
Total erven inventory value	52 353 980

Inventory of plots held by the Village Council has a distribution of residential, business, churches, and light industrial. The Village Council inherited the above distribution from Kavango East Regional Council where permission to erect structures to occupants was granted resulting in occupation of Council land before the purchase criteria was met. The Village Council is in the process of formalising the sale of all plots with offers being extended to existing occupants first.

N\$

Stores

Stores	55 358
Water	16 137
	39 221

Inventory held in the Village Council's warehouse comprise the water department inventory items and the other various items of value held in the production of goods and services.

10. Prepayments**3 581**

Prepayments relate to unexpired motor vehicle licenses at the end of the financial year. There were 4 motor vehicles with unexpired road licenses as at reporting the end of the financial year.

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020

N\$

11 Accounts payables**Supplier****1 162 671**

First National Bank

10 534

Glory Trading enterprise

28 940

Hombe Supermarket

1 097

Maghumbo Andjamba

5

Nampost

1 608

Kinetic Wizard

15 700

Staff savings

17 800

Tanhwe Security Services

7 866

Namwatert

1 081 918

(2 796)

The largest amount forming accounts payables relates to Namwater with an outstanding balance amounting to N\$ 1 081 918 as at the end of the financial.

The economic entity is in the process of assessing its accounts payables and other liabilities to ensure a policy is developed within the transitional period.

13. Employee provisions**353 925**

Bonus provision

85 744

Leave provision

268 180

The provisions relate to 27 employees employed by the Village Council. Bonus and leave provisions are obligations as a result of services offered by employees as at reporting date. Movements in leave provision is as a result of leave days taken or accumulated by employees, changes in salary grade, as well as resignations.

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	<u>2020</u>
	N\$
14. Other creditor	1 556 286
Unearned revenue	949
Consumer deposits	99 460
Property sales	1 455 877

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

Consumer deposits are amounts held by the Village Council as security against default on customer water accounts.

Property sales liabilities relate to customer payments made on land purchases where the revenue recognition criteria has not been met.

15. Retention fees **176 534**

During the year, the economic entity retained fees on the Divundu West capital project for the establishment of extension 3. The project is being undertaken by Neu Olulya Construction Company.

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

16 Cadastral-land use

Identified irregular land use	Area	Recommendation	Cost
			N\$
2 Build Together houses in one plot	Divundu Proper	Subdivision	18 000
5 permanent structures constructed on erf 224 POS before replanning	Divundu Proper	Subdivision, rezoning, & closure of POS	35 000
49 permanent shack dwellers houses constructed on erf 236 POS before replanning	Divundu Proper	Subdivision, rezoning, & closure of POS	200 000
3 houses constructed before replanning on erf 235 zoned public open space	Divundu Proper	Subdivision, rezoning, & closure of POS	44 000
2 permanent structures constructed on erf 234 POS before replanning	Divundu Proper	Subdivision, rezoning, & closure of POS	44 000
1 permanent structure constructed on flood zone	Divundu Proper	Subdivision, rezoning, & closure of POS	44 000
Encroachment to 8 residential plots by Divundu Guest House	Divundu Proper	Consolidation	18 000
1 structure on erf 496 reserved POS	Extension 1	Subdivision, rezoning, & closure of POS	44 000
1 structure on erf 497 reserved POS	Extension 1	Subdivision, rezoning, & closure of POS	44 000
Multiple permanent structures constructed on erf 492	Extension 1	Subdivision, rezoning, & closure of POS	44 000
1 structure on erf 740 reserved POS	Extension 2	Subdivision, rezoning, & closure of POS	44,000
Total cost inclusive of VAT			579 000
VAT @ 15%			74 627
Total rectification cost			504 373

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

16. Cadastral-land use (continued)

The Village Council inherited an urban plan which was implemented by the Regional Council. Changes were made to the planning and some areas which had been designated as public open spaces fell in areas which had been specifically designed for residential, industrial or other. Further, the power line which passes through Divundu necessitated the need to rezone some areas to ensure residential, business, industrial, or public open spaces are at least 40 metres from the centre of the powerline. IPSAS 19, provides that the Village Council recognises and discloses all its liabilities where an outflow of economic benefits or service potential is more likely to occur.

The other errors relate to irregular land use attributable to errors in construction of houses which the Village Council had the obligation to monitor. Rezoning, subdivision, and closure of public open spaces is a liability which results in an outflow of economic benefits from the Village Council.

	2020
	N\$
17. Service charges	1 450 969
Water	1 186 134
Refuse	48 220
Sewerage	216 615
18. Property sales	800 740
Purchaser 1	585 390
Purchaser 2	30 080
Purchaser 3	129 710
Purchaser 4	55 560

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. Surcharge income

Period	No. of units	Price / unit	Surcharge
			N\$
	1 645 345		98 721
31 July 2019	-	-	-
31 August 2019	-	-	-
30 September 2019	-	-	-
31 October 2019	-	-	-
30 November 2019	-	-	-
31 December 2019	-	-	-
31 January 2020	294 071	0.06	17 644
28 February 2020	281 202	0.06	16 872
31 March 2020	293 848	0.06	17 631
30 April 2020	277 201	0.06	16 632
31 May 2020	239 052	0.06	14 343
30 June 2020	259 972	0.06	15 598

20. Rental income**12 000**

Rental income is from the Establishment of the Roads Authority office in Divundu where the Village Council let one of its office space in consideration for rental income.

21. Interest**5 445**

Interest earned during the financial relates to revenue account, call account and investment account all held with First National Bank.

22. Other revenue**226 979**

Water connection	21 510
Business registration	79 693
Sundry income	21 800
Sewage connection	7 400
Building plan fees	33 380
Clearance certificates	376
Commission	18 708
Administrative income - Natis	44 113

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	<u>2020</u>
	N\$
23. Transfers: Government and other departments	
Total government transfers	3 982 333
Government transfers	3 562 333
Advance transfer	420 000
Road Fund Administration	<u>710 035</u>

The village Council received an advance transfer of N\$ 420 000 on its 2021 financial year Line Ministry allocation for operational expenditure.

The Village Council receives a donated audit service from the office of the Auditor General amounting to N\$ 130 000 annually. In leu of this donation, the Village Council is required to pursue the establishment of internal audit aimed at improving and capacitating finance personnel of the Village Council by redirecting the Village Council's equivalent grant allocation earmarked for audit expense.

The amount of N\$ 3 562 333 comprise operational grant of N\$ 3 500 000 and N\$ 62 000 paid to the contractor.

Funds amounting to N\$ 710 035 were received from Road Fund Authority were specifically earmarked for road maintenance. The funds received from government and other government transfers were utilised on projects as planned.

2 375 000

24. Donations

Donations comprise of a fire truck from the Ministry of Urban and Rural Development. There were no other donations received during the financial year. The Village Council initially measured the donation at fair value (which is equivalent to cost) at the date of donation.

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020
	N\$
25. General expenses	1 444 360
Travel and subsistence	127 534
KM Claim	41 126
Printing and stationery	16 439
Cleaning and consumable materials	21 304
Electricity consumption	331 378
Utilities (water, refuse, sewer)	5 014
Office functions	20 380
Entertainment	13 593
Airtime / cell phone allowance	34 249
Fuel	83 260
Advertising	37 350
Training	17 650
Local economic development	15 211
Sports and wellness programme	22 726
Security services	88 461
Postage and courier	7 264
Vehicle licences	10 412
Office utensils	624
IT operational expenses	259 086
Emergency fund	4 117
Cleaning campaign	15 196
Material and stores	4 586
Contractor services	180 000
Protective clothing	22 691
Bank charges	40 688
Contribution - NALAO	7 500
Contribution – ALAN	10 000
Contribution – AMICAL	6 522
26. Employee costs	4 560 449
Salaries and wages	2 469 306
Car allowance	89 316
Overtime	40 141
Housing allowance	484 245
Transport allowance	177 192
Bonus	189 535

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020

N\$

26. Employee costs (continued)

Back pay	30 693
Social security contribution	17 653
Medical aid contribution	564 758
Pension fund contribution	497 611

Councillors allowances

191 056

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 which falls due after the completion of employment. Divundu Village Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN).

Remuneration of key management personnel

Position	CEO	HR Practitioner	Supervisor water department	Electrical Supervisor
	N\$	N\$	N\$	N\$
Car Allowance	89 316			
House Allowance	78 198	28 262	28 262	28 262
Salary	195 658	144 738	144 738	144 738
Transport Allowance	-	7 704	7 704	7 704
Bonus	16 251	12 021	12 021	12 142
Total remuneration	379 422	192 725	192 725	192 846

Position	Health Inspector	Building Inspector	Supervisor sewer department	Accountant
	N\$	N\$	N\$	N\$
Car Allowance	-	-	-	-
House Allowance	28 262	28 262	28 262	28 262
Salary	144 738	144 738	144 738	144 738
Transport Allowance	7 704	7 704	7 704	7 704
Bonus	12 021	12 021	12 142	12 021
Total remuneration	192 725	192 725	192 846	192 725

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

26. Employee costs (continued)

Remuneration of key management personnel responsible for the strategic direction of Divundu Village 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 gazetted salary scales for local authorities.

There were no loans made to management during the financial year and other years prior. There were no changes to key staff composition due to resignations or recruitment during the financial year.

2020

N\$

27 Repairs and maintenance**704 588**

Office equipment

8 400

Vehicles

48 766

Sewerage treatment plant

30 000

Maintenance roads

617 422

Receivable
portion

Long term portion

Total

N\$

N\$

N\$

28. Impairment**293 035****136 823****429 859**

Beneficiary 1

99 842

33 493

133 335

Beneficiary 2

68 340

33 493

101 832

Beneficiary 3

58 036

-

58 036

Beneficiary 4

27 422

34 919

62 340

Beneficiary 5

39 396

34 919

74 314

Impairment as per statement of surplus or deficit relates to 5 deceased Build Together beneficiaries.

As at reporting date the Village Council's insurance was not up to date due to the transition from the Regional Council where the hand over and take over process did not adequately reveal all obligations with third parties.

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		<u>2020</u>
		N\$
29. Adjustment to accumulated surplus or deficit		
Accumulated surplus - 30 June 2018		4 255 959
Adjustments to accumulated surplus prior periods	29.1	<u>(1 563 528)</u>
Adjusted accumulated surplus		2 692 431
Surplus as at 30 June 2019		<u>4 313 436</u>
Accumulated surplus - 30 June 2019		7 005 867
Total adjustments		(485 504)
Build Together repayments		237 477
Adjustment: increase in accumulated surplus reversed	29.2	(215 437)
Revenue from property sales		42 440
Reversal of property sales revenue		(1 293 927)
PAYE deduction – 2018		267 253
Severance pay liability reversal		68 830
Other movements		407 860
Adjusted surplus as at 01 July 2019		6 520 363
Unknown movements reversal	29.2	(215 437)
Accumulated surplus opening balance 30 June 2019		(4 471 396)
Accumulated surplus - 01 July 2019		4 255 959
Unknown movements reversal		(1 524 683)
Accumulated surplus opening balance 30 June 2018		(4 255 959)
Accumulated surplus - 01 July 2018		2 731 276
Unknown movements reversal		(38 845)
Accumulated surplus opening balance 30 June 2017		4 598 880
Accumulated surplus - 01 July 2017		(4 637 725)
Total adjustments prior periods	29.1	(1 563 528)
30. Recognition of infrastructure		14 163 485
Recognition of infrastructure		19 875 285
Government transfer attributable to the extension 3 recognised in prior year		(5 711 800)

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 N\$
31. Recognition of work in progress		
		5 069 860
Opening work in progress		11 694 674
Transfers to infrastructure		(6 624 814)
32. Reconciliation of Net cash flows from operating activities to surplus/deficit		
Surplus / Deficit		(591 374)
Adjustments for non-cash movements:		
Depreciation		1 533 568
Donations		(2 375 000)
Impairment		429 859
BT loan repayments		237 477
Increase in allowance for doubtful debts		77 311
Provision relating to employees		118 674
Provision relating to irregular land use		504 373
Adjustments for government transfers:		
Government and other departments transfers		(4 822 368)
Working capital changes		
Increase in inventory	32.1	(55 358)
Increase in accounts receivables	32.2	(943 161)
Decrease in VAT receivable	32.3	510 980
Increase in prepayments	32.4	(3 581)
Increase in accounts payables	32.6	597 490
Increase in accrued expenses	32.7	(232 728)
Increase in other receivables	32.5	417 274
Increase in retention fee	32.8	176 534
Increase in other creditors	32.9	232 409
Total adjustments to surplus or deficit		(3 596 245)
Net cash flow from operating activities		(4 187 619)

ANNEXURE F

VILLAGE COUNCIL OF DIVUNDU

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 N\$	2019 N\$	Movement N\$
32. Reconciliation of Net cash flows from operating activities to surplus/deficit				
Increase in inventory	32.1	55 358	-	55 358
Inventory		52 409 338	-	52 409 338
Non-cash inventory		(52 353 980)	-	(52 353 980)
Accounts receivables	32.2	1 194 563	251 402	943 161
VAT receivable	32.3	298 114	809 094	(510 980)
Prepayments	32.4	3 581	-	3 581
Other receivables	32.5	417 274	-	417 274
Accounts payables	32.6	671 874	74 384	597 490
Accrued expenses	32.7	490 797	723 525	(232 728)
Retention fee	32.8	176 534	-	176 534
Unearned revenue		949	-	949
Consumer deposits		99 460	72 390	27 070
Property sales		1 455 877	1 251 487	204 390
Increase in other creditors	32.9	1 556 286	1 323 877	232 409
Adjusted liability on property sales		-	1 251 487	-
As per prior year FS		-	1 293 927	-
Recognised in revenue from property sales		-	(42 440)	-