



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF DIVUNDU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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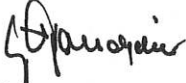
REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Village Council of Divundu for the financial year ended 30 June 2021, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, June 2023


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
DIVUNDU VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Divundu Village Council for the financial year ended 30 June 2021. 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 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 2021 and its financial performance and cash flow for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

2. BASIS OF QUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for the 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. Land Compensation

It was noted that the Village Council capitalized cultivated compensated land (which is for the benefits derived from the land) amounting to N\$ 1 225 994, as per the National Compensation Policy this amount was supposed to be expensed with the rest of the compensation expenses.

2.2 Account Payables

The Namwater statement provided to the auditors as at the end of the financial year amounted to N\$ 1 375 005, while the Village Council recorded the liability amounting to N\$ 816 018 resulting in an understatement of N\$ 558 987.

2.3 Intangible Assets

The Village Council disclosed the accounting software to have an infinite useful life, hence contravening IPSAS 31 (para 91 and 93). This practice resulted in the intangible asset not being amortized.

2.4 Dumpsite Clearance Certificate and Contingent Liability

The auditors noted that the Village Council has a dumpsite, however no clearance certificate could be provided. Furthermore, the dumpsite is not safely secured resulting in non-compliance to the Environmental Management Act, 2007 (Act No. 7 of 2007) and the Environmental Management Act Regulations of 2012.

IPSAS 19 requires that the Village Council should disclose for each class of contingent liability (dumpsites) at the reporting date; the Village Council did not disclose the dumpsite in its financial statements.

2.5 Journal Entries with no supporting documents

The Village Council processed adjustments on land compensation amounting to N\$ 1 225, however no supporting documentation indicating authorization and reasons thereon could be provided for review.

2.6 Performance and Maintenance of Backups

The Village Council fails to keep a backup register/log that is signed off by the staff members indicating that backups have been successfully performed. This indicates that the Council does not test and confirm if backup have been successfully performed. Furthermore, it is noted that the new service level agreement is silent on the maintenance and safekeeping of backups, this could result in the Village Council not having any legal grounds should critical data be lost.

2.7 Subsidy

The General ledger indicated an amount of N\$ 8 058 495 whilst the financial statement subsidy totaled N\$ 8 478 495 resulting in an unexplained difference of N\$ 420 000.

2.8 Accounts Receivables - Build Together Debtors

The Village Council disclosed account receivables from Build Together amounting to N\$ 562 968, however, the auditors could not provide reasonable assurance on the completeness of the stated value, as the files/records were not provided for audit and the auditors were informed that records are kept at the Kavango East Regional Council.

2.9 Procurement Method

It was noted that the Village Council procured laptops/computers to the value of N\$ 269 482 using the direct procurement method in line with Section 36, of the Public Procurement Act, of 2015; direct procurement allows a public entity to procure services from a single source without competition, and the method is only permitted when conditions of Section 36, Subsection 2 (a) are met, which states that a direct procurement is permitted where only one supplier has the exclusive right to manufacture the goods or to supply the goods, works or services to be procured, and no suitable alternative is available.

2.10 Economic Benefit of Refuse Collection

The Village Council entered into an agreement with a consultant to collect refuse in the local authority area, the contractual obligation amounts to N\$ 176 640 per annum, however revenue generated from refuse is N\$ 45 570 (2021) and N\$ 48 220 (2020). This agreement results in a wasteful and non-economical expenditure.

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

Management is responsible for 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.
- 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.
- 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.

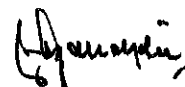
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public 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, June 2023

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

VILLAGE COUNCIL OF DIVUNDU
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE

		2021	2020	2020
			Audited	Restated
	Note	N\$	N\$	N\$
ASSETS				
Current assets		57 100 650	54 844 708	54 912 649
Inventories	6	52 456 687	52 409 338	52 409 338
Accounts receivables- exchange transactions	7	677 248	1 194 563	177 138
Other Receivables	8	2 403 146	417 274	1 827 112
Build Together - short term portion	5	56 297	-	56 297
Cash & Cash equivalent - Restricted cash	9	1 090 205	-	35 868
Cash & Cash equivalent - Unrestricted cash	10	413 487	521 839	403 316
Prepayments		3 580	3 581	3 581
VAT Receivable		-	298 114	-
Non-current assets		629 917 343	629 397 234	628 237 883
Property, plant and equipment	2	625 696 931	625 176 823	624 017 472
Intangible assets	3	204 650	204 650	204 650
Investments	4	3 509 091	3 509 090	3 509 090
Long term receivables	5	506 671	506 671	506 671
Total assets		687 017 993	684 241 943	683 150 553
LIABILITIES				
Current liabilities		4 741 506	3 249 416	3 382 526
Accounts payables	11	1 266 655	671 874	683 504
Accrued expenses	11	206 018	490 797	490 797
Employee provisions	12	649 304	353 925	475 405
Other creditors	13	2 619 529	1 556 286	1 732 820
Retention fees		-	176 534	-
Non-current liabilities		504 373	504 373	504 373
Cadastral - provision		504 373	504 373	504 373
Total Liabilities		5 245 879	3 753 789	3 886 899
Net assets		681 772 114	680 488 153	679 263 634
NET ASSETS/EQUITY				
Funds and accounts	27	2 457 585	-	388 355
Accumulated surplus or (deficit)		679 314 529	680 488 153	678 875 278
Total net assets/equity		681 772 114	680 488 153	679 263 634

ANNEXURE B

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

		2021	2020	2020
			Audited	Restated
	Note	N\$	N\$	N\$
Revenue				
Revenue from exchange transactions				
		3 568 027	2 678 963	2 697 828
Service charges	14	2 154 705	1 450 969	1 479 879
Property sales		-	800 740	800 740
Surcharge income	15	215 554	98 721	97 795
Fitness certificate		-	2 840	-
Permission to occupy		39 983	81 269	81 269
Rental income	16	42 862	12 000	12 000
Other revenue	17	892 131	5 445	220 700
Interest	18	222 792	226 979	5 445
Revenue from non-exchange transactions				
		9 233 205	7 197 368	6 777 368
Government & other department transfers	19	9 233 205	4 822 368	4 402 368
Donations		-	2 375 000	2 375 000
Total revenue				
		12 801 232	9 876 332	9 475 196
Expenses				
General and administrative expenses	20	2 302 569	1 444 360	1 412 719
Employee costs	21	5 097 534	4 560 449	4 415 272
Councillors' remuneration	22	191 056	191 056	191 056
Repairs and maintenance	23	586 295	704 588	704 588
Depreciation	2	1 608 520	1 533 568	1 533 568
Compensation	24	1 296 115	-	-
Impairment - BT		-	429 859	429 859
Employee provisions	25	259 643	118 673	207 224
Bulk water		992 225	903 467	903 467
Allowance for doubtful debts	26	189 307	77 311	77 311
Cadastral (irregular land use)		-	504 373	504 373
Total expenses				
		12 523 264	10 467 706	10 379 438
Surplus / (deficit) for the year				
		277 968	(591 374)	(904 242)

ANNEXURE C

VILLAGE COUNCIL OF DIVUNDU
STATEMENT OF CHANGES IN ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE

	2021		
	N\$	N\$	N\$
Funds and accounts	Accumulated surplus/deficit	Total net assets/equity	
Opening balance as at 30 June 2019	156 367	6 520 363	6 676 730
IPSAS Adjustments:	-	673 573 953	673 573 953
Recognition of undeveloped land	-	582 118 054	582 118 054
Recognition of developed land	-	551 192	551 192
Recognition of head office building	-	14 214 937	14 214 937
Recognition of infrastructure	-	14 163 485	14 163 485
Recognition of serviced land (inventory)	-	52 353 980	52 353 980
Recognition of work in progress	-	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)
Recognition of severance pay	-	(121 480)	(121 480)
Movements	-	362 263	362 263
Balance as at 01 July 2019	156 367	680 094 316	680 250 683

ANNEXURE C

VILLAGE COUNCIL OF DIVUNDU
STATEMENT OF CHANGES IN ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE (Continued)

	2021		Total net assets/equity
	N\$	N\$	
Funds and accounts		Accumulated surplus/deficit	
Movements			
Surplus or deficit for the year	231 988	(314 797)	(82 808)
Subtotal	231 988	(1 219 038)	(987 050)
Net assets / equity as at 30 June 2020	388 355	678 875 278	679 263 634
Movement in funds and reserves:			
Other movements	-	161 283	161 283
Funds and accounts	2 069 230	-	-
Total movements in funds and reserves	2 069 230	161 283	161 283
Surplus or deficit for the year	-	277 968	277 968
Subtotal	2 069 230	439 215	439 215
Net position as at June 2021	2 457 585	679 314 529	679 314 529

ANNEXURE D

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

		2021	2020
	Note	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customer		6 653 230	6 425 618
Government transfers		9 103 205	4 272 368
Interest received		3 139	5 445
Net cash flow from operating activities		15 759 574	10 703 432
Cash paid to suppliers		(7 118 498)	(3 098 778)
Cash paid to employees		(5 288 590)	(4 606 328)
Interest paid		-	-
Total cash paid		(12 407 087)	(7 705 106)
Net cash flow from operating activities	28	3 352 486	2 998 325
CASH FLOW FROM INVESTING ACTIVITIES			
Construction of infrastructure		(3 287 978)	(3 635 708)
Proceeds from sale of plant and equipment		-	-
Net cash flow from investing activities		(3 287 978)	(3 635 708)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Build Together Fund		1 000 000	-
Net cash flow from financing activities		1 000 000	-
Net increase/(decrease) in cash and cash equivalents		1 064 508	(637 382)
Cash & cash equivalents at the beginning of the period		439 184	1 076 567
Cash and cash equivalents at the end of the period		1 503 692	439 184

Cash and cash equivalents consist of balances with banks and short-term investments on call accounts.

The Village Council has undrawn balances for Build Together programme.

The Village Council has no undrawn balances for capital projects

VILLAGE COUNCIL OF DIVUNDU
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Fin adjusted budget	Actual outcome	Variance	Variance %
	N\$	N\$	N\$	N\$	
Statement of surplus or deficit					
Revenue: exchange transactions					
Service charges	2 648 319	2 648 319	2 154 705	493 614	19%
Surcharge Income	250 000	250 000	215 554	34 446	14%
Permission to occupy	95 000	95 000	39 984	55 016	-100%
Rental income	92 000	92 000	42 862	49 138	53%
Other revenue	894 895	894 895	892 131	2 764	0%
Interest received/ receivable	31 300	31 300	222 792	(191 492)	-612%
Sub-total	4 011 514	4 011 514	3 568 027	443 487	11%
Revenue: non-exchange transactions					
Government & other departments transfers	10 831 755	10 831 755	9 233 205	1 598 550	15%
Sub-total	10 831 755	10 831 755	9 233 205	1 598 550	15%
Grand total	14 843 269	14 843 269	12 801 232	2 042 037	14%

ANNEXURE E

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

	Original Budget	Fin adjusted budget	Actual outcome	Variance	Variance %
	N\$	N\$	N\$	N\$	
Expenses					
General and administrative	2 893 000	2 893 000	2 302 569	590 431	20%
Employee costs	4 827 588	4 827 588	5 097 534	(269 946)	-6%
Councillors' remuneration	191 056	191 056	191 056	-	0%
Repairs and maintenance	826 500	826 500	586 295	240 205	29%
Depreciation	-	-	1 608 520	(1 608 520)	-100%
Compensation	2 840 506	2 840 506	1 296 115	1 544 391	54%
Employee provisions	300 000	300 000	259 643	40 357	13%
Bulk water purchases	1 105 000	1 105 000	992 226	112 774	10%
Allowance for doubtful debts	-	-	189 307	(189 307)	-100%
Total expenses	12 983 650	12 983 650	12 523 264	460 386	4%
Surplus or deficit	1 859 619	1 859 619	277 968	1 581 651	85%

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.

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

ANNEXURE E

	Original Budget	Fin budget	adjusted	Actual outcome	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	
Capital budget statement comparison						
Transfers recognized - capital	3 350 000		3 350 000	3 287 978	62 022	2%
Capital expenditure and funds sources						
Total capital expenditure	3 450 205		3 450 205	3 287 978	162 227	5%
Sources of capital funds						
Transfers recognized - capital	3 350 000		3 350 000	3 287 978	62 022	2%
Public contributions and donations	-		-	-	-	
Internally generated funds	100 205		100 205	-	100 205	100%
Total: Sources of capital funds	3 450 205		3 450 205	3 287 978	162 227	-

ANNEXURE E

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

	Original Budget	Fin adjusted budget	Variance	Variance %
	N\$	N\$	N\$	
Unspent amount expenses				
Bad debts	5 000	5 000	5 000	100%
Conference system	45 000	45 000	45 000	100%
Council Functions	20 000	20 000	20 000	100%
Decentralised Build-Together committee	5 000	5 000	5 000	100%
Dustbins - wheelie bins	100 000	100 000	100 000	100%
HIV/AIDS and Wellness program	20 000	20 000	20 000	100%
Laboratory Service	5 000	5 000	5 000	100%
Local Economic Development	20 000	20 000	20 000	100%
Rental of equipment	1 000	1 000	1 000	100%
Steel refuse bins	20 000	20 000	20 000	100%
Water Meters	15 000	15 000	15 000	100%
Sport & wellness program	50 000	50 000	50 000	100%
Bore hole	14 400	14 400	14 400	100%
Duplicate account	400	400	400	100%
Fines	4 000	4 000	4 000	100%
Fines and penalties	6 000	6 000	6 000	100%
Garden Refuse	560	560	560	100%
Reprint of payslips	100	100	100	100%

VILLAGE COUNCIL OF DIVUNDU

ANNEXURE E

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

	Original Budget	Fin adjusted budget	Variance	Variance %
	N\$	N\$	N\$	
Expenses (continued)				
Surplus banked	400	400	400	100%
Trainings	500	500	500	100%
Water levies - no meters	1 050	1 050	1 050	100%
Water Reconnection	1 000	1 000	1 000	100%
Penalties	8 000	8 000	8 000	100%
Penalties	4 000	4 000	4 000	100%
Pre-paid water sales: domestic	108 000	108 000	108 000	100%
Pre-paid water sales: non-domestic	24 000	24 000	24 000	100%
Printing of transaction history	500	500	500	100%
Rates	5 000	5 000	5 000	100%
Total budgeted & uncollected revenue	177 910	177 910	177 910	100%
				-

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

Service charges

The variance of 19% from budgeted amount for service charges is as a result of the council not collecting revenue as initially 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.

Permission to occupy

The 100% variance is as a result of a wrong budget forecast.

Rental income

The variance of 53% is as a result of the vote being over budgeted.

Interest receivable

The variance is as a result of a higher percentage of interest levied on outstanding accounts than initially anticipated.

Transfers – Namibia government

The 15% under budget is as a result of N\$130,000 audit grant which was not budgeted. Further, the Village Council does not control access to service potential and waits for its government allocations which may differ in some years.

General and administrative expenses

The 20% below budgeted for general and administrative expenditure is as a result of some expenses items which were not spent. This however did not result in diminished service delivery.

Repairs and maintenance

The 29% below budgeted for repairs and maintenance expenditure is as a result of some expenses items which were not spent particularly the amounts budgeted for maintenance of electric pumps. This however did not result in diminished service delivery.

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

Depreciation expense

The non-cash item was not budgeted for. With accrual basis IPSAS, the expense shall be budgeted for in all coming financial years.

Compensation

The compensation vote was spent as per budget. The other amount falls under the capital budget statements as it was spent on the acquisition of property.

Leave provision

The variance of 13% is as a result of over budgeting.

Allowance for doubtful accounts

The increase in the allowance for doubtful accounts is as a result of an increase in accounts that are 120 days past due. The increase was not budgeted for.

Capital expenditure budget comments

The 100% variance on projects earmarked for financing using own funds was due to financial constraints.

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

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 recognize 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. 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 2021.

The Village Council intends to recognize and/or measure its assets, and liabilities as specified in IPSAS 33 by 2022 or an earlier period.

With respect to unavailability of accounting policies in financial years beyond 01 July 2019 the Village Council shall measure asset(s) and liability (ies) 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 dollar which is the Village Council's presentation and functional currency, and all values, including Councillors' remuneration disclosures in note 22 are rounded off.

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.

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

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 second year of the three-year transitional period, The Village Council opted to present comparative figures.

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.

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 direct method. The net surplus or deficit of the Village Council shall be adjusted for the effects of non-cash transactions in the reconciliation surplus or deficit to net cash flows to note.

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

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).

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.

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

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 recognized, 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, the entity has created a valid expectation on the part of those other parties that it will discharge the obligation.

IPSAS 20 Related party disclosures

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

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 recognized. 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 recognized in surplus or deficit during the period, the amount of reversal of impairment loss recognized in surplus or deficit.

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

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 recognizing 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.

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 recognize 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,

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

Divundu Village Council disclosures

The Village Council shall disclose useful lives, amortization methods, gross carrying amount, and any accumulated amortization at the beginning and end of the period, line items of the statement of surplus or deficit in which amortization 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 amortization 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 recognized when the transaction or event that causes the expense occurs. Expenses shall be analyzed 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.

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.

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

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

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 judgement is inherent in the making of estimates. Actual results in the future could differ from these estimates which could be material to the annual financial statements.

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

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

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

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 issued in 2019 requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) has increased uncollectable receivables as some customers were already defaulting on payments before the corona virus pandemic.

Allowance for slow moving, obsolete or damaged inventory items

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

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

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 the modified cash basis and covers the financial period beginning 01 July 2020 and ending 30 June 2021.

Comparative information shall not be required for the budget. Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

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

1.9 Going concern

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

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

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

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 recognize revenue by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognized 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 recognized to the extent of the expenses recognized that are recoverable.

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

**VILLAGE COUNCIL OF DIVUNDU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
(continued)**

Sale of goods

Revenue from the sale of goods is recognized 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 recognized:
- 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.

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 recognized 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 recognized as revenue in the invoicing period.

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

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

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.

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 recognizes 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 recognized instead of revenue.

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

Other non-exchange revenue is recognized 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.

The Village Council is in the process of recognizing and/or measuring its items of property, plant, and equipment for inclusion in the financial statements during the transitional period beginning 01 July 2008. The process of recognizing 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 recognized as an asset when the following criteria are met:

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

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

Initial measurement

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

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

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

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

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

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

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 derecognized.

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

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

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 recognized prospectively as a change in accounting estimate in the statements of surplus or deficit. Minor assets below N\$ 1 000 are not depreciated. They are expensed in the year of acquisition.

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

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

Gains or losses arising from the derecognition of an item of PPE are recognized 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 recognized 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 recognized 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:

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

TYPE OF ASSET	DEPRECIATION METHOD	(AVERAGE) LIFE	USEFUL
Land and Buildings	Straight line	(30 – 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	(25 – 50)	

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

1.12.1 Site restoration and dismantling costs

The 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 recognized 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.

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

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 realizable value.

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

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

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

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

The amounts of any write-down of inventories to net realizable value and all losses on inventories are recognized 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 realizable value are recognized as a reduction in the amount, of inventories recognized as an expense in the period in which the reversal occurs.

Provisions are recognized 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.

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

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

1.14 Provisions and contingencies

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 recognized.

Provisions are not recognized for future operating deficits.

If the Village Council has an onerous contract, the present obligation (net of recoveries) under the contract is recognized 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 recognized in the statement of surplus or deficit when the service is rendered, or the rights to benefits are accrued.

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

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

- 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 recognizes 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 recognized in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognized 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

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

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.

1.18 Conditional grants and receipts

Revenue received from conditional grants, donations is recognized 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 recognized.

1.19 Debt forgiveness

The Village Council recognizes 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 recognized 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 recognized 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 recognized by the entity.

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

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 recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfies the recognition criteria as an asset.

1.25 Cash and cash equivalents

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

1.26 Customer advance payments

Customer advance payments include all cash payments received, or bank deposits in favour of Divundu Village Council where such payments are in excess of services and/or products rendered to a customer(s) for billing periods ending with 30 June of every financial year. Advance payments arise where service potential changes hands before services or products of equal value are offered in exchange.

Divundu Village Council receives advance payments on combined accounts with services ranging from, water, refuse, sewerage, plot sales, and other. All advance payments on combined billing shall be regarded as payments on the water account(s) on which a debit is recorded.

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

1.27 Land compensation

Land compensation involves voluntary handover of communal land to Divundu Village Council in exchange for a cash consideration at an agreed rate (per square meter) between the landowner and Divundu Village Council for all privately owned land falling within the proclaimed area.

Divundu Village Council receives all voluntary considerations for sale of land from willing communal farmers occupying communal land within the proclaimed area. The Village Council obtains the size of the land proposed for disposal by using its technical staff to obtain measurements (in hectares or square meters) followed by the determination of the amount of compensation per hectare in line with the government compensation policy.

The Village Council creates a creditor based on the amount to be paid as compensation to the willing seller.

ANNEXURE F

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

2. Property, plant and equipment

	2021		2020			
	Cost N\$	Accumulated depreciation N\$	Carrying Amount N\$	Cost N\$	Accumulated depreciation N\$	Carrying Amount N\$
Property, plant, and equipment	633 078 368	(7 381 437)	625 696 931	629 790 389	(5 772 917)	624 017 472
Land and buildings	598 110 177	(971 354)	597 138 823	596 884 183	(687 055)	596 197 128
Infrastructure	21 193 887	(3 446 834)	17 747 053	21 193 887	(2 861 356)	18 332 531
Computers & office equipment	421 940	(200 313)	221 627	180 165	(172 671)	7 495
Furniture, fixtures & fittings	544 279	(366 206)	178 072	544 279	(257 485)	286 793
Plant & machinery	933 538	(1 486 488)	(552 950)	933 538	(723 533)	210 005
Motor vehicles	3 768 431	(910 241)	2 858 190	3 768 431	(1 070 817)	2 697 614
Work in progress	8 106 116	-	-	6 285 906	-	6 285 906

Work in progress schedule

Opening work in progress 01 July 2020	6 285 906
Sewer and water - Divundu Proper & ext 2	237 299
Electrical reticulation ext 3	529 761
Sewer and water - ext 3	670 231
Township establishment	382 919
Total work in progress for the year	1 820 209
Total work in progress 30 June 2021	8 106 116

During the financial year, Divundu Village Council continued with capital projects commissioned in prior financial years in line with its service delivery objectives. The projects comprised sewer and water infrastructure for Divundu Proper, electrical reticulation in extension 3 and township establishment in Divundu extension 2.

ANNEXURE F

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

2. Property, plant and equipment (continued)

Of the assets handed over to Divundu Village Council by Kavango West Regional Council was work in progress for the construction of sewer and water reticulation in Divundu Proper amounting to N \$11,694,674. The project has been derecognized as it is under the auspices of the Regional Council until completion.

Reconciliation of property, plant and equipment - 2021

	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 bal 01/07/2020	6 285 906	596 197 128	286 793	7 495	210 005	2 697 614	18 332 531	624 017 472
Additions	1 820 209	1 225 994	-	241 775	-	-	-	3 287 978
Disposals	-	-	-	-	-	-	-	-
Sub-total	1 820 209	1 225 994	-	241 775	-	-	-	3 287 978
Total	8 106 116	597 423 122	286 793	249 270	210 005	2 697 614	18 332 531	627 305 451
Transfers:								
To infrastructure	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
Total	8 106 116	597 423 122	286 793	249 270	210 005	2 697 614	18 332 531	627 305 451
Depreciation	-	(284 299)	(108 721)	(27 643)	(186 708)	(415 672)	(585 478)	(1 608 520)
Revaluations	-	-	-	-	-	-	-	-
Sub-total	-	(284 299)	(108 721)	(27 643)	(186 708)	(415 672)	(585 478)	(1 608 520)
Closing bal 30/06/2021	8 106 116	597 138 823	178 072	221 627	23 297	2 281 942	17 747 053	625 696 931

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

<p>2. Property, plant and equipment (continued)</p> <p>Work in progress schedule - 2020</p> <p>Opening work in progress 01 July 2019</p> <p>Sewer and water - Divundu Proper & ext 3</p> <p>Total work in progress 30 June 2020</p>	<p>2020</p> <p>NS</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">5 069 860</td> </tr> <tr> <td style="text-align: right;">1 216 046</td> </tr> <tr> <td style="text-align: right;">6 285 906</td> </tr> </table>	5 069 860	1 216 046	6 285 906
5 069 860				
1 216 046				
6 285 906				

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 recognized and/or measured in these 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.

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

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 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 bal 01/07/2019	5 069 860	14 363 373	395 649	32 405	396 713	667 273	18 872 007	39 797 279
Additions	1 216 046	-	-	-	-	2 375 000	44 662	3 635 708
Disposals	-	-	-	-	-	-	-	-
Sub-total	1 216 046	-	-	-	-	2 375 000	44 662	3 635 708
Total	6 285 906	14 363 373	395 649	32 405	396 713	3 042 273	18 916 669	43 432 987
Transfers:								
To infrastructure	-	-	-	-	-	-	-	-
Other movements	-	582 118 054	-	-	-	-	-	582 118 054
Sub-total	-	582 118 054	-	-	-	-	-	582 118 054
Total	6 285 906	596 481 427	395 649	32 405	396 713	3 042 273	18 916 669	625 551 041
Depreciation	-	(284 299)	(108 856)	(24 910)	(186 708)	(344 658)	(584 138)	(1 533 568)
Revaluations	-	-	-	-	-	-	-	-
Sub-total	-	(284 299)	(108 856)	(24 910)	(186 708)	(344 658)	(584 138)	(1 533 568)
Closing bal 30/06/2020	6 285 906	596 197 128	286 793	7 495	210 005	2 697 614	18 332 531	624 017 472

The increase in net position for Divundu Village Council has been largely attributable to the recognition of land amounting to N\$ 582 188 054 as at the adoption and implementation of accrual basis International Public Sector Accounting Standards (IPSAS) on 01 July 2019. The adoption and implementation of IPSAS follows the pronouncement of a Line Ministry directive for Divundu Village Council to move to IPSAS as a financial reporting framework of choice.

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

2. Property, plant and equipment (continued)

There are communal farmers with communal farms within the area of proclamation. The farmers are entitled to voluntary compensation for all the land within the proclaimed areas. Divundu Village Council in consultation with relevant stakeholders intends to ensure the conflicts surrounding land ownership with the traditional authority is finalized as well as control and title to communal lands within the proclaimed areas.

The total land area (inclusive of appropriations) under Divundu Village Council as at proclamation total 19 459 252 square meters with a gazetted valuation of N\$ 35 per square meter while the land occupied by Divundu office building is valued at N\$ 40 per square meter/.

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

3. Intangible assets

	Cost	Accumulated Amortisation	2021 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

The intangible asset held by Divundu Village Council is attributable to Microsoft Dynamics GP accounting software. There has not been any accumulated amortization on the Microsoft Dynamics GP accounting software because management assessed the service potential or inflow of economic benefits from the accounting software to Divundu Village Council as infinite.

In line with the Village Council's assessment, the accounting software has an indefinite useful life and therefore is not amortized, so there has not been any movement of the value of the intangible asset from prior years. The assessment of Microsoft Dynamics GP accounting software has been largely focused on;

- the going concern and the ability of the service provider to stay in business in future (supplier stability),
- the accounting software's capability to meet accounting needs for Divundu Village Council in the long term based on reports that are compatible with the IPSAS framework,
- possible decline in performance of the intangible asset in relation to increasing volume of transactions which has not been evident from commencement of use of the software (since 2017); and,
- an increase in costs which would result in the Village Council reviewing the need to continue using the intangible which also has not been significant to warrant another alternative.

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

	2021	2020
	N\$	N\$
4. Investments	3 509 091	3 509 090

Investments comprise of electrical infrastructure surrendered to NORED at cost when the Village Council was under the Regional Council management. Divundu Village Council receives a surcharge from NORED on a monthly basis.

5. Long-term receivables	562 968	562 968
Build Together	506 671	506 671
Build Together short-term portions	56 297	56 297

Long term receivables are attributable to Build Together loans with a 20-year lifetime or less. The long-term receivables amount has been split for the short-term amount of N\$ 56 297 which is receivable in 12 months from the reporting.

Long term receivables reported are for 15 Build Together beneficiaries with complete statistics which enabled a close management estimate 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.

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.

6. Inventories	52 456 687	52 409 338
Inventory - serviced plots	52 353 980	52 353 980
Inventory - stores	102 707	55 358

Divundu Village Council measures all its inventory in the warehouse at the lower of cost and net realizable value. As at the end of the financial year ended 30 June 2021, the Village Council held serviced land (plots) earmarked for residential and/or business development.

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

	2021	2020
	N\$	N\$
7. Accounts receivables – exchange transactions	677 248	177 138
Accounts receivables before allowance	950 256	260 839
Allowance for doubtful debts	(273 008)	(83 701)
Age analysis		
Total accounts receivables	950 256	260 839
Current	461 616	122 965
31 - 60 Days	80 339	33 197
61 - 90 Days	135 293	20 976
91 - 120 Days	54 277	11 331
120 Days+	218 731	72 370
Adjustment in allowance for doubtful accounts	273 008	83 701
Allowance for 120 days and past due	83 701	6 390
Movement in allowance for doubtful accounts	189 307	77 311
8. Other receivables	2 403 146	1 827 112
Build Together - Line Ministry	1 000 000	-
Build Together receivables - beneficiaries	1 172 140	1 166 640
VAT receivable	218 339	294 872
Roads authority receivable	10 734	365 600
Salary control account	1 933	-

Build Together – Line Ministry

The Ministry of Urban and Rural Development through its Trust Fund for Regional Development & Equity Provisions approved funding amounting to N\$ 2 000 000 for the Build Together project.

The approval was communicated to Divundu Village Council on 23 November 2020. Of the approved allocation, Divundu Village Council received N\$ 1 000 000 and is yet to receive the outstanding amount.

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

	2021	2020
	N\$	N\$
8. Other receivables (continued)		
Total Build Together receivable	1 172 140	1 166 640
Build Together receivable	1 166 640	1 015 761
Kavango East Regional Council receivables	5 500	150 878

Build Together receipts held by Kavango East Regional Council resulted in movements in Build Together receivables during the financial year and the comparative period.

A total of N\$ 156 378 (2021: N\$ 5 500 and 2020: N\$ 150 878) for Build Together loan repayments by beneficiaries is being held by the Regional Council pending necessary formalities for its release to Divundu Village Council.

Build Together receivables

As at the reporting date, Divundu Village Council held no control to the timing of the access to the service potential. The transfer of complete information relating to the Build Together programme before Divundu Village Council was proclaimed is still an ongoing process.

Value added tax receivable

Value added tax receivable amounting to N\$ 218 339 (2020: N\$ 294 872) comprise the excess of input VAT over output VAT for the financial year.

The Village Council accounts for value added tax in terms of the Value added Tax Act (Act No. 10 of 2000), and anticipates no deductions by the Receiver of Revenue in relation to the supplies from which the receivable arose

Roads Authority receivable

Roads Authority receivable relates to exchange transactions attributable to the rental of NATIS offices at Divundu Village Council and the services offered by Divundu Village Council staff in the daily administration of the NATIS office. The NATIS office was officially opened in February 2020.

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

	2021	2020
	N\$	N\$
9. Cash and cash equivalents- Restricted cash	1 090 205	35 868
Build Together receipt account	69 514	15 573
Revenue account	1 020 691	20 296

Restricted cash and cash equivalents comprise service potential earmarked for capital projects and Build Together fund where service potential cannot be appropriated for any other purpose other than purposes or projects specified by the financier.

All restricted cash and cash equivalents were received directly from the Ministry of Urban and Rural Development or through its other arms which impose a stipulation on the deployment of the service potential so advanced.

10. Cash and Cash equivalents- Unrestricted cash	413 487	403 316
Call account	32 961	7 665
Investment account	32	31
Operational account	175 107	372 346
SBN cheque account	189 304	23 274
Cash on hand	16 083	-

Unrestricted cash and cash equivalents comprise of service potential without a stipulation.

All cash and cash equivalents (restricted and unrestricted) 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 to financial institutions.

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

	2021	2020
	N\$	N\$
11. Accounts payable and accrued expenses	1 472 673	1 174 301
Airtime allowance	-	11 630
Glory Trading Enterprise	-	28 940
Hombe Supermarket	-	1 097
Maghumbo A. Ndjamba	-	5
Kinetic Wizard	-	15 700
Staff savings	-	17 800
Adjustment	-	2 796
Namwater	816 018	1 081 918
City stationers	40 465	-
Mobile Telecommunications	6 421	-
FNB credit card	6 206	10 534
Ghuparo investments CC	15 280	-
King Price insurance	1 648	-
Nampost General	1 004	1 608
NORED electricity	5 179	-
Pumping solution CC	123 492	-
Renaissance health care	7 180	-
Ritta Khiba Planning Consultancy	440 357	-
Tanhwe Security Services	5 353	7 866
Telecom Namibia	4 070	-

Divundu Village Council has N\$ 1 472 673 (2020: N\$ 1 174 301) in obligations to suppliers where discharge is anticipated to occur within 12 months from the reporting date.

The Village Council has reported accounts payables and accrued expenses in aggregate as it is working on a policy which shall inform the separation of accounts payables from accrued expenses.

12. Employee provision	649 304	475 404
Bonus provision	88 026	85 744
Severance pay provision	161 086	121 480
Leave provision	400 192	268 180

The bonus provision is an annual employee benefit that unwinds year on year as employee birthday anniversaries are reached.

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

12 Employee provision (continued)

The bonus provision is an annual employee benefit that unwinds year on year as employee birthday anniversaries are reached.

Leave provision is based on outstanding days accrued and employee remuneration attributable to the latest financial year in which the employee offered services to the Village Council. The leave provision is calculated exclusive of the 13th cheque.

The Village Council has recognized severance pay comprising one week's salary for every employee who was in employment for a continuous period of 12 months as provided for by the Labour Act, Act 11 of 2007 S35 (3). There were no salary increases during the financial year resulting in an insignificant increase to severance pay where such increase was necessitated by 3 new employees reaching the 12 months continuous service milestone.

	2021	2020
	N\$	N\$
13. Other creditors	2 619 529	1 732 820
Consumer deposit	116 360	99 460
Property sales	2 323 092	1 455 877
Retention on Capital Project	176 534	176 534
Customer advance payments	3 543	949
Consumer deposits	116 360	99 460
Opening balance	99 460	72 390
Movements during the financial year	16 900	27 070
Total movements during the year	16 900	27 250
New consumers - business	7 500	12 500
New consumers - residential	9 400	14 750

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

During the financial year ended 30 June 2021, 3 new businesses were connected as compared to 5 new connections in the prior year. New connections attracted deposits amounting to N\$ 7 500 (2020: N\$ 12 500). With respect to residential units, 20 new units were connected as compared to 31 in the prior year. New connections attracted deposits amounting to N\$ 9 400 (2020: N\$ 14 750).

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

	2021	2020
	N\$	N\$
13. Other creditors (continued)		
Property sales	2 323 092	1 455 877

The gross inflow of service potential from property sales is recognized in revenue when and only when, a council approval to purchase is granted, a ministerial approval to purchase is granted, and a full payment of the price charged by Divundu Village Council is made.

Where one of the three conditions set out above is not met, Divundu Village Council continues to hold title to property, and consequently discloses proceeds so received as a liability. Over the years, the Village Council has received N\$ 2 323 092 towards the purchase of properties which has been reported in these financial statements under current liabilities.

The amount reported under liabilities comprise residential and business property where a significant amount relates to the purchase of property amounting to N\$ 634 760 at a tariff of N\$ 20 per square meter for 31 738 square meters of land a transaction consummated on 21 October 2020.

Retention fee

Retention fees of N\$176 534 comprise amounts due to suppliers withheld pending remedying of any faults or defects on assets constructed by contractors.

Customer advance payments

Unearned revenue comprises advance payments made by customers on accounts for which no exchange of equal value had been made by the Village Council in return. The increase from prior year has been significant though immaterial.

14. Service Charges	2 154 705	1 479 879
Bulk water	1 859 945	1 186 134
Sewerage	232 420	216 615
Refuse collection	45 570	48 220
Other service charges	16 770	28 910
Other service charges	16 770	28 910
Water connections	12 470	21 510
Sewerage connections	4 300	7 400

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

14. Service charges (continued)

Service charges revenue arises from the rendering of services and the sale of goods where equal value is approximately exchanged in return.

The gross inflow of revenue was N\$ 2 154 705 with bulk water contributing N\$ 1 859 945 in total inflows, while sewerage revenue inflows amounted to N\$ 232 420 in total. All revenues are measured at fair value of the consideration received or receivable

2021	2020
N\$	N\$

15. Surcharge

215 554	97 795
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Surcharge income amounted to N\$ 215 554 (2020: N\$ 97 795). Surcharge revenue is as a result of the rights given to NORED to sell electricity in the local authority area of Divundu.

16. Rental income

42 862	12 000
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Major gross inflows during the financial year were from office rentals for both the current financial year and the comparative where revenues stood at N\$ 42 862 and N\$ 12 000 respectively. Rental revenue is from Roads Authority for the offices occupied at the Village Council offices.

17. Other income

	892 131	220 700
Sundry income	680	21 800
Leave provision decrease	-	19 791
Roads authority revenue	644 774	-
Septic tank charge	500	-
Commission received	12 590	18 708
Building plan fees	44 220	33 380
Inspection fees	4 320	2 840
Administration fees	79 521	44 113
Business registration	104 944	79 693
Bid documents	300	-
Clearance certificate	282	376

Other income comprises of gross inflows from various sources where some sources are not recurrent from one financial year to the other. Divundu Village Council has not determined a threshold of revenue classifiable under other income except management judgement regarding the size of the gross inflows as being small and inconsistent year on year. The major inflows of other income amounted to N\$ 644 773 from Roads authority and N\$ 104 944 for business registration line item.

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

	2021	2020
	N\$	N\$
18. Interest received/receivable	222 792	5 445
Banks	3 139	5 445
Overdue accounts	219 653	-

During the financial year, interest revenue arose from 2 financial instruments (banks and overdue accounts) with overdue accounts amounting to N\$ 219 653 of the N\$ 222 792.

19. Government and other departmental transfers	9 233 205	4 402 368
Road fund administration	624 710	710 035
Government transfers	8 478 495	3 562 333
OAG audit grant	130 000	130 000

The audit grant of N\$ 130 000 relates to a service in kind from the office of the auditor general for the performance of audit service. The grant is conditioned to the capacitation of finance staff in financial reporting, and internal audit services training.

The Village Council received N\$ 624 710 from Road fund administration.

Government transfers comprising N\$ 3 287 978 have a component of funding directly earmarked for capital projects. Refer to note 2 property, plant and equipment for details.

All government and other department transfers to Divundu Village Council have been disclosed under this note to financial statements.

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

	2021	2020
	N\$	N\$
20. General and administrative expenses	2 302 569	1 412 719
Local economic development	-	15 211
Legal expenses	3 302	-
Asset coding system	23 650	-
Advertising	46 512	39 959
ALAN membership	10 000	10 000
Bank charges	38 532	40 688
Cleaning campaign	17 309	15 196
Cleaning materials and consumables	15 000	21 304
Contractuary services	182 460	180 000
Contribution - AMICAAL	-	6 522
Contribution - NALAO	7 500	7 500
Disaster recovery fund	123 999	4 117
Entertainment	5 395	13 593
Finance and IT networks	362 523	259 086
Fuel	109 719	83 260
Electricity consumption	278 087	331 378
Insurance and Excess	2 873	-
KM claim	29 000	41 126
Security services	321 995	88 461
Small tools & equipment - electrical and building	29 896	-
Sports & wellness programme	-	22 726
Stationery and printing	102 704	16 439
Strategic plan	86 514	-
Telephone and fax	22 397	-
Training	60 000	17 650
Travel and subsistence	190 423	127 534
Utilities (water, sewer, refuse)	17 497	5 014
Vehicle licenses	5 394	10 412
Materials and stores	18 239	4 586
Office functions	32 252	20 379
Office utensils	-	624
Postage & courier services	10 174	7 264
Protective clothing	-	22 691
Training & consultancy	130 000	-
Rental - photocopier	9 239	-
Cartridge and tonners	9 984	-

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

20. General and administrative expenses (continued)

General and administrative expenses form part of the Village Council's day-to-day operational expenses that are non-capital (not including the construction and/or purchase of items of property, plant and equipment).

All expenses are recorded and accounted for on accrual basis. Such recording has resulted in expenses being recorded as and when obligations arise and not when cash changes hands.

The Village Council has further disclosed all expenses in these financial statements by nature. Such disclosures are in line with the budget for the financial year ended 30 June 2021 which displays items by nature.

	2021	2020
	N\$	N\$
21. Employee cost	5 097 534	14 415 272
Airtime / cell phone allowance	53 606	45 879
Social security contribution	19 540	17 653
Medical aid contribution	752 732	564 758
Pension fund contribution	556 604	497 611
Employee compensation fund	25 884	-
Housing allowance	552 391	484 245
Overtime	33 033	40 141
Salaries and wages	2 547 264	2 278 250
Transport allowance	198 653	177 192
Annual bonus	211 678	189 535
Car allowance	89 316	89 316
Acting allowance	56 833	-
Back pay	-	30 693

Employee entitlements for the financial year as disclosed in this note accrue to employee as and when the services are rendered.

All entitlements to services rendered are recognized in the statements of surplus or deficit.

All entitlements to be settled within 12 months have been reported at the amount expected to be paid and the same goes for uncontested termination expenses.

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

21. Employee cost (continued)

Remuneration Divundu Village Council for top management

Surname	First Name	Position	Car Allowance		House Allowance		Salary		Annual / Basic		Transport Allowance		Bonus		Total Earnings	
			N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	
Maghumbo	Athanasius	CEO	7 443	6 565	16 413	196 958	-	16 413	243 792							
Thikusho	Sheida	HR	-	2 428	12 142	145 700	642	12 142	173 053							
Djani	Bernhardt	Water Supply	-	2 428	12 142	145 700	642	12 142	173 053							
Kathumbi	Elifas	Technical Services	-	2 428	12 142	145 700	642	12 142	173 053							
Ndara	Moses	Enviro & health	-	2 428	12 142	145 700	642	12 142	173 053							
Nakare	Leonard	Sewerage	-	2 428	12 142	145 700	642	12 142	173 053							
Limbere	Abraham	Finance	-	2 428	12 142	145 700	642	12 142	173 053							

Remuneration for key management personnel responsible for the strategic direction of Divundu Village Council set out above in line with the provisions of IPSAS 20, Related Parties paragraph 21 amounts to a total of N\$ 2 564 222.52 for the financial year. This reflects the total annual earnings based on services rendered by top management and the remuneration was paid as per budget

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

	2021	2020
	N\$	N\$
22. Councilors' remuneration	191 056	191 056

Councilors' salaries amounting to N\$ 191 056 for the financial year were paid as budgeted.

Councilors have access to other non-cash benefits limited to refreshments and entertainment while on council duty, and training and development aimed at enabling them to discharge duties aligned to their tenure competently.

	586 295	704 588
23. Repairs and maintenance		
Pump stations	3 150	-
Roads	543 226	617 422
Sewerage treatment plant	-	30 000
Office equipment	-	8 400
Vehicles	27 119	48 766
Office furniture	12 800	-

Repairs and maintenance costs are directly attributable to the Village Council's property, plant and equipment with major repair costs being traceable to roads, vehicles, plant & machinery, and water & sewer reticulations.

24. Compensation	1 296 115	-
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During the financial year, Divundu Village Council voluntarily compensated 26 communal farmers for the structures and trees on the proclaimed land.

The compensation programme is funded by the Ministry of Urban and Rural development and progresses as willing sellers communicate their intention to relinquish developed and undeveloped land.

	259 643	207 224
25. Employee provisions		
Leave days contribution	132 012	-
Severance pay contribution	39 605	121 480
Bonus contribution	88 026	85 744

The Village Council included in its list of provisions severance pay beginning with the prior year and the amounts totaling N\$ 259 643 represent an increase in obligations from prior year amounts.

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

	2021	2020
	N\$	N\$
26. Allowance for doubtful debts	189 307	77 311
Allowance - 120 days and past due	83 701	6 390
Adjusted allowance for doubtful debts	273 008	83 701

The Village Council set an allowance for doubtful accounts at 120 and 120 days past due and the movement in the allowance for doubtful debts represents the increase from the prior year. The Village Council uses an expected credit loss model as a way of assessing the likelihood of impairment on accounts.

27. Funds and accounts (Build Together fund balance)	2 457 585	388 355
Government funding	2 000 000	-
Payments from beneficiaries	301 207	237 477
Kavango East Regional Council receivables to date	156 378	150 878

As per the financial statements of the financial year ended 30 June 2020, Divundu Village Council accounted for Build Together transactions directly through the statement of surplus or deficit. Funds and accounts have been disclosed separately to ensure more information regarding the status of the Build Together fund is available for users of financial statements.

As at the reporting date, the funds and accounts are highly likely to be misstated due to inadequate information stemming from the time when the fund was originated.

Further, the costs of administering the funds are not reflected in all the activities attributable to the funds therefore the funds are highly likely to be overstated. No credit losses have been assessed due to unavailability of complete information.

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

28. Reconciliation of net cash flow from operating activities to surplus/deficit	2021 N\$
Surplus / Deficit	277 968
Adjustments for non-cash movements:	
Depreciation	1 608 520
Provision relating to employees	259 643
Increase in allowance for doubtful debts	189 307
Working capital changes	
Inventory movement	(47 349)
Accounts receivables movement	500 110
Other receivables movement	(423 966)
Accounts payables movement	583 151
Accrued expenses movement	(284 779)
Other creditors movement	886 709
Other movements	(196 828)
Total adjustments to surplus or deficit	3 074 518
Net cash flow from operating activities	3 352 486

Related parties

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

Related party transactions – loans

There were no loans advanced to top management, councilors during the financial year.

Related parties – consumer cyclical billing

Management and Councilors

All accounts for both management and councilors were in good outstanding as at 30 June 2021 except for June billing which is effected on the 20th of every month.

No bad debts for Village Council management and councilors or other employees were written-off.

Entities with significant influence

No entities with significant influence hold accounts or any business interest with the Village Council.

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

Related parties – interest in Divundu Village Council

Management and councilors had no business or commercial interests in the Village Council for the financial year ended 30 June 2021.

Going concern assessment

Current ratio

Current ratio	12 : 1	16.23 : 1
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The Village Council's current ratio demonstrates a favourable position as at the reporting date.

Acid test ratio

Acid test ratio	0.98 : 1	0.75 : 1
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The acid test ratio demonstrates an inability to discharge obligations falling due within 12 months from the reporting date though the position is not significantly negative.

Conclusion

Due to the availability of government support, it is management's assessment that Divundu Village Council has the ability to continue as a going concern in the foreseeable future.

Notwithstanding the assessment above, there are not any other factors which render the going concern assumption inappropriate.

Further, the Village Council retains the power to levy rates and taxes.

