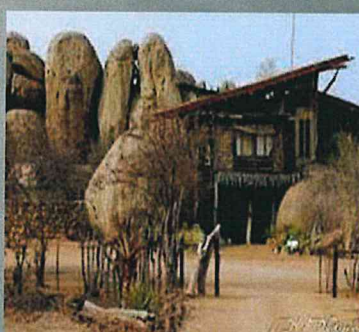




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF KAMANJAB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Village Council of Kamanjab for the financial year ended 30 June 2019, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, June 2020

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

1. QUALIFIED AUDIT OPINION

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

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

2. BASIS FOR QUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements 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 Trade Payable

The Council did not disclose trade and other payables amounting to N\$ 908 338 for the financial year under review. In addition the Village Council incorrectly disclosed trade payables to the value of N\$ 845 862 as an overdraft facility.

2.2 Minutes of Council

The Village Council could not provide a copy of the minutes of the Council meeting with regard to the prior year audit report as per Section 87, Subsection (4); which states that any remedial steps to be taken to implement recommendations made in connection with any irregularity or weaknesses revealed in the report to the Minister.

2.3 Budget vs Actual Reconciliation

The Village Council have not prepared the budget to comparable basis to be reconciled to the actual amounts presented in the financial statements as per IPSAS 24, paragraph 47).

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue 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, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

KAMANJAB VILLAGE COUNCIL
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2019 N\$	2018 N\$
ASSETS			
Non-current assets		33 610 256	34 606 949
Property, plant and equipment	2	32 223 546	33 208 670
Investments	3	1 386 710	1 398 279
Current assets		1 270 446	1 447 781
Inventory	4	213 084	121 774
Receivables from exchange transactions	5	741 157	851 252
Cash and Cash Equivalents	6	316 205	474 755
TOTAL ASSETS		34 880 702	36 054 730
FUNDS AND LIABILITIES			
Net Assets		31 135 881	32 002 185
Statutory Funds	7	44 212 373	43 905 452
Accumulated Deficit		(13 076 492)	(11 903 267)
Non-current liabilities		647 116	690 500
Long-term Liabilities	8	647 116	690 500
Current liabilities		3 097 705	3 362 045
Consumer Deposits	10	132 549	123 318
Payables from exchange transactions	9	2 045 025	3 030 580
VAT Payable	11	30 885	150 346
Bank Overdraft	6	845 862	18 074
Current Portion of Long-term Liabilities	8	43 384	39 727
TOTAL FUNDS AND LIABILITIES		34 880 702	36 054 730

KAMANJAB VILLAGE COUNCIL

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2019 N\$	2018 N\$
Cash generated by operations			
Cash receipts from customers and government		10 198 571	6 542 942
Cash paid to suppliers and employees		(8 606 695)	(6 359 211)
Net cash generated from operations	12	1 591 876	183 731
Cash flows from investing activities			
Purchase of Property, Plant & Equipment		(2 885 235)	(2 795 346)
Net cash flows from investing activities		(2 885 235)	(2 795 346)
Cash flows from financing activities			
Increase in statutory funds		306 921	2 152 599
Net cash flows from financing activities		306 921	2 152 599
Net movement in cash funds		(986 338)	(459 016)
Cash and Cash Equivalents at Beginning of Period		456 681	915 697
Cash and cash equivalents at end of period	6	(529 657)	456 681

KAMANJAB VILLAGE COUNCIL

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

	Budget N\$	Actual N\$	Variance N\$	Variance %	Explanation
Capital expenditure	6 453 952	2 885 235	3 568 717		
Truck	218 952	198 863	20 089	9%	Note 1
Office equipment	15 000	9 785	5 215	35%	Note 1
Infrastructure development	6 220 000	2 676 587	3 543 413	57%	Note 13

Explanations of the variances

- Note 1 – Variance that are less than N\$ 50 000 were assessed to be not material therefore no explanation is required
- Note 2 - The amount received is as per the allocation by the Ministry based on treasury allocation
- Note 3 – The budget was too ambitious in relation to the size of the council
- Note 4 - The budget was too ambitious in relation to the size of the debtors' book of the council
- Note 5 – CENORED did not declare any dividend during the year under review
- Note 6 – The council did not have enough serviced land for sale
- Note 7 - Some positions (for example, Village Secretary) were vacant during the year
- Note 8 – The items were not budgeted for (previously they were being charged to the appropriation account)
- Note 9 - Underspending was due to cost cutting measures
- Note 10 - The interest was not budgeted for during the year
- Note 11 – The water consumption was lower than the budgeted units
- Note 12 - The number of elders who applied for the aid was higher than anticipated hence the overspending
- Note 13 – Upgrading of gravel roads was not done due to the underfunding by the Ministry, see also note 2 above.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

The following are the critical judgements and estimations that management have made in the process of applying the Village Council's accounting policies and that have the most significant effect on the amounts recognised in annual financial statements.

1.2.1 Revenue Recognition

Accounting policy 1 11 2 on Revenue from Exchange Transactions and Accounting Policy 1 11 3 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the Village Council.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions). As far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the Village Council, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Village Council is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy 1 9 1 on financial assets classification and Accounting Policy 1 9 2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Village Council in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IPSAS 29 (Financial Instruments: Recognition and Measurement).

1.2.3 Impairment of Financial Assets

Accounting Policy 1 9 4 on impairment of financial assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the Village Council considered the detailed criteria of impairment of financial assets as set out in IPSAS 29 (Financial Instruments: Recognition and Measurement) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Village Council is satisfied that impairment of financial assets recorded during the year is appropriate.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1 2 7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a deviation exists above N\$ 50 000. All material differences are explained in the relevant Notes to the annual financial statements.

1.2 Presentation Currency

The annual financial statements are presented in Namibian Dollar, rounded off to the nearest Dollar which is the Village Council's functional currency.

1.3 Going Concern Assumption

The annual financial statements have been prepared on a Going Concern Basis.

1.4 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by an IPSAS.

1.5 Transitional Exemptions and Provisions

As Kamanjab Village Council adopted accrual basis IPSAS's for the first time at 1 July 2016 and is making use of some of the transitional provisions for the 2018/19 financial year details of the progress in adopting accrual basis IPSAS's are provided below.

Transitional exemptions utilised that do affect fair presentation

Kamanjab Village Council utilised the following transitional exemptions that do affect the fair presentation of the financial statements:

- IPSAS 12 Inventories
- IPSAS 13 Leases
- IPSAS 16 Investment Property
- IPSAS 17 Property, Plant and Equipment
- IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 31 Intangible Assets
- IPSAS 36 Investments in Associates and Joint Ventures
- IPSAS 37 Joint Arrangements
- IPSAS 38 Disclosure of Interests in Other Entities

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.7.1 Statutory Funds

1.7.1.1 Housing Fund:

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992).

The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund.

Unexpended moneys in the Housing Fund which are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

Monies standing to the credit of the Housing Fund are used only for purposes of the construction, acquisition or maintenance of dwellings; loans granted; repayment of loans raised; costs incurred in connection with the administration of housing schemes and any other purpose approved in writing by the Minister.

1.7.2 Accumulated Surplus

The Accumulated Surplus contains accumulated surpluses, after appropriations to and from Statutory Funds.

1.8 PROPERTY, PLANT AND EQUIPMENT

1.8.1 Transitional Provisions

The Village Council has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 17, which allows (3) three years for the recognition and/or measurement of Property, Plant and Equipment.

It is therefore possible that some items of Property, Plant and Equipment have not been recognised and/or measured in accordance with IPSAS 17. The Village Council is in the process of recognising and/or measuring all its Property, Plant and Equipment for inclusion in the 2019/20 Annual Financial Statements.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.8.4 De recognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

1.9 FINANCIAL INSTRUMENTS

The Village Council has various types of Financial Instruments and these can be broadly categorized as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The Village Council only recognizes a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognized on the Village Council's Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The Village Council does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognized amounts currently exist and the Village Council intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

1.9.1 Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with IPSAS 29 the Financial Assets of the Village Council are classified as follows into the three categories allowed by this standard:

- **Financial Assets at Fair Value through Surplus or Deficit** are financial assets that meet either of the following conditions:
 - (i) They are classified as held for trading; or
 - (ii) Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 (continued)**

1.9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured Financial Liabilities may be measured at:

- (i) Financial Liabilities at Fair Value through Surplus or Deficit; or
- (ii) Financial Liabilities at Amortized Cost.

The Village Council has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of IPSAS 29
Long-term Liabilities	Financial Liabilities at Amortized Cost
Payables from Exchange Transactions	Financial Liabilities at Amortized Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortized Cost
Bank Overdraft	Financial Liabilities at Amortized Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortized Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilized Finance charges on bank overdrafts are expensed as incurred.

1.9.3 Initial and Subsequent Measurement

1.9.3.1 Financial Assets:

At Fair Value through Surplus or Deficit

Financial Assets at Fair Value through Surplus and Deficit are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognized in the Statement of Financial Performance.

Held-to-Maturity Investments

Held-to-Maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset Subsequently, these assets are measured at amortized cost using the Effective Interest Method less any impairment, with revenue recognized on an Effective Yield Basis.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognized in accordance with IPSAS 29.

1.9.4.1 Financial Assets at Amortized Cost

Accounts receivable encompass long-term debtors, receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-Exchange Transactions (Other Debtors). Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortized cost using the Effective Interest Rate Method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within twelve (12) months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Village Council will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IPSAS 29 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortized Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognized in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

10 INVENTORIES

1.10.1 Transitional Provisions

The Village Council has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 12, which allows 3 years for the recognition and/or measurement of Inventories.

It is therefore possible that some items of Inventories have not been recognized and/or measured in accordance with IPSAS 12. The Village Council is in the process of recognizing and/or measuring all its Inventories for inclusion in the 2019/20 Annual Financial Statements.

11 REVENUE RECOGNITION

1.11.1 General

Revenue is derived from a variety of sources, which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Village Council's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Village Council recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the Village Council and when specific criteria have been met for each of the Village Council's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Village Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognized by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the Village Council directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-Exchange Transactions refers to transactions where the Village Council received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognized to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.11.2.5 Dividends

Dividends are recognised on the date that the Village Council becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

1.11.2.6 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licenses and permits.

1.11.2.7 Revenue from Agency Services

Revenue for agency services is recognized on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognized is in terms of the agency agreement.

1.11.2.8 Sale of Goods (including Houses)

Revenue from the sale of goods is recognized when all the following conditions have been met:

- (a) The Village Council has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Village Council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Village Council; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably

1.11.3 Revenue from Non-Exchange Transactions

An inflow of resources from a Non-Exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Village Council and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-Exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Village Council has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Village Council with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Village Council's interest, it is recognised as interest earned in the statement of financial performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

1.12 EMPLOYEE BENEFIT LIABILITIES

1.12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The Village Council has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the statement of financial position. The Village Council recognises the expected cost of performance bonuses only when the Village Council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.14 GRANTS-IN-AID

The Village Council transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Village Council does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.15 VALUE ADDED TAX

The Village Council accounts for Value Added Tax in accordance with section 18 of the Value-Added Tax Act (Act No 10 of 2000).

1.16 SERVICE CONCESSION ARRANGEMENTS: GRANTOR

A service concession arrangement is a binding arrangement between the Village Council and an operator in which:

- (a) The operator uses the service concession asset to provide a public service on behalf of the Village Council for a specific period of time; and
- (b) The operator is compensated for its services over the period of the service concession arrangement.

The Village Council analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Village Council recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognised are measured at their fair value. To the extent that an asset has been recognised, the Village Council also recognises a corresponding liability, adjusted by a cash consideration paid or received.

**KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE (continued)**

1.18 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.19 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Village Council. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Village Council.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the annual financial statements when the relevant recognition requirements in terms of IPSAS 19 are met.

1.20 COMMITMENTS

Commitments are future expenditure to which the Village Council committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific IPSAS
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date
- Items are classified as commitments where the Village Council commits itself to future transactions that will normally result in the outflow of resources
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the annual financial statements
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the Village Council.

KAMANJAB VILLAGE COUNCIL
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE (continued)

1.23.3 Budget Information

The annual budget figures have been prepared in accordance with the IPSAS's and are consistent with the Accounting policies adopted by the Council for the preparation of these annual financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items.

The annual budget figures included in the Annual Financial Statements are for the Village Council and do not include budget information relating to associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2018 to 30 June 2019

1.24 GENERAL INFORMATION

Kamanjab Village Council is a local government institution in Kamanjab, under the jurisdiction of the Kunene Regional Council.

KAMANJAB VILLAGE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continued)

	2019	2018
	N\$	N\$
3 Investments	1 386 710	1 398 279
Unlisted shares	1 386 710	1 398 279
4 Inventory	213 084	121 774
Consumable stores	213 084	121 774
5 Receivables		
Receivables from exchange transactions	741 157	851 252
Consumers	5 804 531	5 261 424
Housing debtors	1 264 025	1 131 704
Sale of erven	1 843 071	1 908 518
Accruals	15 238	14 400
Less: Provision for bad debts	(8 185 708)	(7 464 794)
6 Cash and cash equivalents	(529 657)	456 681
Bank accounts and cash on hand	316 205	474 755
Bank overdraft	(845 862)	(18 074)
7 Statutory funds	44 212 373	43 905 452
Revenue account contributions	29 256 544	29 256 544
General Capital contributions	4 675 369	4 675 369
Capital Development Fund	5 820 198	5 820 198
Sale of Erven Fund	2 788 202	2 498 585
Build Together Fund	1 672 060	1 654 756
8 Long-term loans	690 500	730 227
Current portion	43 384	39 727
Long term portion	647 116	690 500

KAMANJAB VILLAGE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)**13 Segment report****13.1 Segment operating results**

	Trading 2019	Non-trading 2019	Total 2019
	N\$	N\$	N\$
Revenue	2 988 844	7 805 306	10 794 150
Expenditure	(2 326 290)	(9 641 085)	(11 967 375)
Surplus/(deficit)	662 554	(1 835 779)	(1 173 225)

13.2 Segment assets and liabilities**ASSETS****Non-current assets**

Property, plant and equipment	23 460 365	8 763 181	32 223 546
Investments	1 386 710	-	1 386 710

Current assets

Inventory	213 084	-	213 084
Receivables from exchange	741 157	-	741 157
Cash and Cash Equivalents	-	316 205	316 205

Total segment assets

25 801 316	9 079 386	34 880 702
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LIABILITIES**Non-current liabilities**

Long-term Liabilities	-	647 116	647 116
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Current liabilities

Consumer Deposits	132 549	-	132 549
Payables from exchange transactions	-	2 045 025	2 045 025
VAT Payable	30 885	-	30 885
Bank Overdraft	-	845 862	845 862
Current Portion Liabilities	-	43 384	43 384

Total segment liabilities

163 434	3 581 386	3 744 821
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