



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**VILLAGE COUNCIL OF OKONGO**  
**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021 AND 2022**

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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 Okongo for the financial years ended 30 June 2021 and 30 June 2022, in terms of Article 127 (2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27 (1) of the State Finance Act, 1991 (Act No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27 (4) of the Act.

**WINDHOEK, September 2023**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF OKONGO  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021 AND 2022**

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**1. DISCLAIMER OF AUDIT OPINION**

I have audited the financial statements of the Village Council of Okongo for the financial years ended 30 June 2021 and 2022. These financial statements comprise the Statement of Financial Position, the Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows, and Notes to Financial Statements including a summary of significant accounting policies for the years then ended

Because of the significance of the matters described in the Basis for Disclaimer of audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Village Council of Okongo as at 30 June 2021 and 2022.

**2. BASIS FOR DISCLAIMER AUDIT OPINION**

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

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following reasons:

**2.1 OPENING BALANCES**

The Council did not accurately brought forward prior year closing balances as opening balances in 2021 and 2022 financial years. The differences in opening balances have affected the closing balances of accounts balances included in the annual financial statements.

**2.2 INCONSISTENCY IN REPORTING**

The auditors have identified inconsistency in financial reporting. This has an effect that items included in the financial statements were wrongly classified and may result into misinterpretation of the financial statements.

**2.3 FUNDS AND ACCOUNTS**

A difference of N\$ 358 258 on Funds and Accounts was observed between the trial balance and the financial statements for the year ended 2021.

## **2.4 ACCUMULATED FUNDS**

The Council could not provide supporting documentations pertaining to a direct adjustment to net assets amounting to N \$ 733, 764 in the Statements of changes in equity for the year ended 2022. The auditors were therefore not able to satisfy themselves about the validity and approval of the adjustments being made.

## **2.5 VALUE ADDED TAX**

A difference amounting to N\$ 175 983 was confirmed between Value Added Tax (VAT) reconciliation performed (N\$ 3 671 155) and VAT receivable (N\$ 3 495 172) disclosed in the Statement of financial position.

## **2.6 INVESTMENT IN NORED (PTY) LTD**

The auditors were not provided with supporting documentations related to an adjustment on Investment in Nored (Pty) Ltd amounting N\$ 129 268, to satisfy themselves about completeness and valuation of the investment included in the 2022 Statement of financial position.

## **2.7 DEBTORS WITH CREDIT BALANCES**

The Council did not reclassify debtors with credit balance amounting to N\$ 267 384 (2022) and N\$359 327 (2021) to accounts payables. This understated both accounts receivables and payables, and overstated revenue for the years.

## **2.8 PROPERTY, PLANT AND EQUIPMENT**

A difference of N\$ 254 946 was noted between the trial balance and the fixed asset register related to depreciation of buildings in the 2021 Statement of financial position.

For the 2022 financial year, a difference of N\$ 993 798 was observed between the annual financial statement and the fixed asset register.

## **2.9 INVENTORY**

The Council disclosed Inventory related to erven, in the Statement of financial position amounting to N\$ 1 578 894 (2022), N\$ 1 578 894 (2021) and N\$ 1 578 894 (2020). The auditors noted that there was no movement in the account during the financial years under review; however, sales of properties, business and residential erven were noted. The auditors were not provided with supporting documentations related to sales of properties for the years. The financial statements could be materially misstated.

The Council disclosed consumables in the Statement of financial position for the year ended 2022 amounting to N\$ 174 676. The inventory listing for these consumables could not be provided at the time of the audit.

An independent third party did not observe the inventory count for the financial years under review. The auditors are therefore not able to rely on the closing balances of inventory consumables amounting to N\$ 174 676 (2022) and N\$ 322 538 (2021) disclosed in the Statement of financial position.

#### **2.10 ACCOUNTS RECEIVABLE AND BAD DEBT PROVISION**

The Council did not raise provision for bad debt in the 2021 financial year as per the Council credit policy. As a result, provision for bad debt is understated by N\$ 8 239 038, accounts receivables overstated by the same amount and bad debt expense understated by N\$ 7 616 572.

Bad debt expense disclosed in the Statement of financial performance for the year 2022 was overstated by N\$ 11 081 612.

#### **2.11 PAYROLL**

For the financial years under review, the Council could not provide payroll related information and supporting documentations. The auditors were therefore unable to confirm payroll as disclosed in the financial statements.

#### **2.12 AUDIT FEES**

The Council is exempted from paying audit fees, on the undertaking that it should capacitate their finance personnel. The auditors were not provided with a breakdown of the grant utilization and source documentations pertaining thereof. Moreover, the Council procured the services of a consultant to prepare the Council's financial statements for the financial years under review.

#### **2.13 NON-SUBMISSION OF SUPPORTING DOCUMENTATIONS**

The Council could not provide supporting documentations related to sales of properties amounting to N\$ 432 000 (2021) and other income amounting to N\$ 479 188 (2022).

#### **2.14 STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

The Council did not prepare the Statements of comparison of budget and actual amounts for the financial years under review.

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

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

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

### **4. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion;
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Evaluate the appropriateness of accounting policies 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit;
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards;

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

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

The financial statements for the financial year ended 30 June 2021 and 30 June 2022 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

Non-compliance with Section 27 of the Local Authority Act, 1992 (Act No. 23 of 1992), whereby the Management Committee is supposed to appoint or reappoint the Chief Executive Officer (CEO) in consultation with the Minister. The CEO prepared a submission recommending himself while the management committee members were supposed to execute that mandate.

The CEO did not comply with the Procurement Act when the Council procured the services of the consultant to prepare the Council's financial statements.

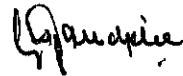
**6. AUDIT OF KEY PERFORMANCE INFORMATION**

The auditors did not perform the Key Performance Information audit due to the non-submission of the approved Strategic and Annual Plans. As a result, I do not express a conclusion on the audit of Key Performance Information.

**7. ACKNOWLEDGEMENT**

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

**WINDHOEK, September 2023**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**VILLAGE COUNCIL OF OKONGO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022  
GENERAL INFORMATION**

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Legal form of organisation	Local Authority
Nature of business and principal activity	Local Government
Grading of local authority	Village Council
Acting CEO	Victor Nathile
Accountant	Maria Shikomba
Business Address	98 Hospital Road
Postal Address	Private Bag 66003 Okongo Namibia
Bankers	Standard Bank and First National Bank
Auditors	Auditor-General Namibia
Councillors	Lasarus Shapwa (Chairperson) Eunice Shinyongo (Deputy Chairperson) Lydia Hamakali (Committee Member) Paulus Munalye Kapolo (Committee Member) Frieda David (Committee Member)
Legislation governing the Village Council 1992)	The Constitution of the Republic of Namibia Local Authorities Act, 1992 (Act No. 23 of State Finance Act, 1991 (Act No. 31 of 1991)

**VILLAGE COUNCIL OF OKONGO**  
**FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 2022**  
**ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

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The Accounting Officer is required in terms of the Local Authority Act, 1992 (Act No. 23 of 1992) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Council as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) including any interpretations, guidelines and directives issued by the Public Sector Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Council and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, sets standards for internal control aimed at reducing the risk of error in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Council and all employees are required to maintain the highest ethical standards in ensuring the Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Council is on identifying, assessing, managing and monitoring all known forms of risk across the Council. While operating risk cannot be fully eliminated, the Council endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages 9 to 54, which have been prepared on a going concern basis, were approved on 21 November 2022 and were signed by:

\_\_\_\_\_  
Immanuel K. Haikali  
Chief Executive Officer

\_\_\_\_\_  
Maria N. Shikomba  
Accountant

## ANNEXURE A

**VILLAGE COUNCIL OF OKONGO  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE**

		<b>2022</b>	<b>2021</b>	<b>2020</b>
	Note	N\$	N\$	N\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
		<b>21 104 177</b>	<b>27 108 228</b>	<b>10 862 878</b>
Inventory	6	1 753 571	1 901 433	1 936 159
Account Receivables	7	2 848 830	10 282 460	1 658 927
Prepayments		-	716 042	-
Cash and Cash Equivalents	8	13 006 604	9 532 505	3 225 882
VAT Receivables	9	3 495 172	4 675 788	4 041 910
<b>NON CURRENT ASSETS</b>				
		<b>632 656 557</b>	<b>628 412 369</b>	<b>627 091 327</b>
Property, plant and equipment	2	626 991 286	622 876 366	619 890 233
Intangible Assets	3	146 512	146 512	146 512
Long Term Receivables	4	-	-	1 665 091
Investment	5	5 518 759	5 389 491	5 389 491
<b>TOTAL ASSETS</b>				
		<b>653 760 734</b>	<b>655 520 597</b>	<b>637 954 205</b>
<b>FUNDS AND LIABILITIES</b>				
<b>FUNDS AND RESERVES</b>				
		<b>648 555 191</b>	<b>651 161 131</b>	<b>635 894 313</b>
Fund and Accounts		-	358 258	358 558
Accumulated Surplus		648 555 191	650 802 873	635 535 755
<b>CURRENT LIABILITIES</b>				
		<b>5 205 543</b>	<b>4 359 466</b>	<b>2 059 892</b>
Accounts Payable	10	5 122 866	3 956 820	2 020
Accrued Expenses		-	-	509 701
Provisions	11	-	340 918	315 708
Unearned income	12	-	-	301 061
Other Creditors	13	82 677	61 728	30 536
Retention Fees	14	-	-	900 866
<b>TOTAL FUNDS AND LIABILITIES</b>				
		<b>653 760 734</b>	<b>655 520 597</b>	<b>637 954 205</b>

## ANNEXURE B

**VILLAGE COUNCIL OF OKONGO**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 30 JUNE**

		2022	2021	2020
	Note	N\$	N\$	N\$
<b>REVENUE</b>				
<b>REVENUE: EXCHANGE TRANSACTIONS</b>				
		<b>10 567 480</b>	<b>9 810 991</b>	<b>7 304 842</b>
Service charges	15	5 130 963	9 810 991	4 641 923
Sale of property		48 000	-	-
Surcharges income		431 522	-	216 641
Permission to occupy		2 027 416	-	-
Other revenue	18	693 243	-	2 446 278
Interest earned on investment		152 629	-	-
Interest earned on outstanding debtors		2 083 707	-	-
<b>REVENUE: NON-EXCHANGE TRANSACTIONS</b>				
		<b>7 206 717</b>	<b>12 839 419</b>	<b>14 959 715</b>
Government and Other departments Transfers	19	7 200 240	12 643 397	12 584 715
Donations	20	-	-	2 375 000
Other income		-	196 022	-
Property, rates and taxes		6 477	-	-
<b>TOTAL REVENUE</b>		<b>17 774 197</b>	<b>22 650 410</b>	<b>22 264 557</b>
<b>EXPENSES</b>				
		<b>21 130 117</b>	<b>10 349 126</b>	<b>14 506 404</b>
Empolyee Costs	21	3 002 057	3 230 688	3 039 103
Council remuneration		198 069	191 056	-
Depreciation	2	*2 213 971	2 151 640	2 274 505
Road maintenance and access	25	-	875 025	671 819
Repairs and maintenance		786 555	-	-
General expenses	26	3 225 408	397 842	4 503 347
General repairs and maintenance		-	884 858	-
Increase in provision for doubtful debts	7	11 704 057	-	*3 910 223
Provisions		-	-	107 407

## ANNEXURE B

**VILLAGE COUNCIL OF OKONGO**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 30 JUNE**  
**(continued)**

	2022	2021	2020
Note	N\$	N\$	N\$
<b>EXPENSES (Continued)</b>			
Other expenses	27	-	2 618 017
			-
<b>NET OPERATING SURPLUS</b>	<b>(3 355 920)</b>	<b>12 301 284</b>	<b>7 758 153</b>
Interest on Investments	17	-	-
			1 220 899
<b>OPERATING SURPLUS/(DEFICIT) AFTER INTEREST</b>	<b>(3 355 920)</b>	<b>12 301 284</b>	<b>8 979 052</b>

\*The balance does not agree to the note. Observation/differences reported under basis for audit of opinion.

## ANNEXURE C

**VILLAGE COUNCIL OF OKONGO**  
**STATEMENTS OF CHANGES IN NET ASSETS AS AT 30 JUNE**

	<b>Funds and Accounts</b>	<b>Accumulated Surplus/deficit</b>	<b>Total Net Assets/Equity</b>
Note	N\$	N\$	N\$
<b>Balance as at 01 July 2019</b>	<b>358 258</b>	<b>624 958 660</b>	<b>625 316 918</b>
Surplus for the period	-	13 542 929	13 542 929
<b>Balance as at 30 June 2020</b>	<b>358 258</b>	<b>638 501 589</b>	<b>638 859 847</b>
<b>Balance as at 01 July 2020</b>	<b>358 258</b>	<b>638 501 589</b>	<b>638 859 847</b>
Surplus for the period	-	12 301 284	12 301 284
<b>Balance as at 30 June 2021</b>	<b>358 258</b>	<b>650 802 873</b>	<b>651 161 131</b>
<b>Balance as at 01 July 2021</b>	-	<b>651 177 347</b>	<b>651 177 347</b>
Direct adjustments to net assets	-	733 764	733 764
Deficit for the year	-	(3 355 920)	(3 355 920)
<b>Balance as at 30 June 2022</b>	-	<b>648 555 191</b>	<b>648 555 191</b>

\* The opening balances for the financial year ended 2022 does not agree to 30 June 2021 closing balances.



## ANNEXURE D

**VILLAGE COUNCIL OF OKONGO**  
**STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 30 JUNE**

	Note	2022 N\$	2021 N\$
(Deficit)/Surplus		(3 355 920)	12 301 284
<b>Adjustments for non-cash items:</b>			
Depreciation	2	*2 213 920	2 151 640
Increase in leave provision	11	-	33 864
Debt impairment	7	11 704 057	-
Direct adjustments to net assets (cash)		478 820	-
		<b>11 040 877</b>	<b>14 486 788</b>
<b>Changes in working capital</b>			
Inventories		147 862	34 726
Changes in receivables		7 433 629	(3 422 644)
Changes in payables & employee liabilities		841 344	859 737
Changes in unallocated income		-	31 192
Debt impairment		(11 704 057)	-
Repayments		716 042	-
Value Added Tax		1 180 616	-
Taxes and transfers payable (non exchange)		20 949	-
<b>Net cash flow from operating activities</b>		<b>9 677 313</b>	<b>11 989 799</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipments		(6 073 945)	(5 494 835)
Proceeds from sales of financial assets		(129 268)	-
<b>Net cash flows from investing activities</b>		<b>6 203 213</b>	<b>5 494 835</b>
<b>Net changes in cash and cash equivalents</b>		<b>3 474 100</b>	<b>6 494 964</b>
Cash and cash equivalents at the beginning of the year		9 532 504	3 037 541
<b>Cash and equivalents at the end of the year</b>		<b>13 006 604</b>	<b>9 532 505</b>

\* The balance does not agree to the note. Differences reported under basis for audit of opinion.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022**

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**ACCOUNTING POLICIES**

**1. Presentation of annual financial statements**

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standard (IPSAS), as approved by the line minister in consultation with Auditor General in accordance with Section 87 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992) as amended. Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 01 July 2019, having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General. In adoption of accrual basis IPSAS's, it has elected to utilise some of the transitional exemption allowed by IPSAS 33, "First Time Adoption of Accrual Basis IPSAS".

In its transitional to accrual basis IPSAS, the Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, The 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 2022. Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraph 39, and 40 by 2023 period where the relevant items recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) required that Okongo Village Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The Council made a minimum progress towards such compliance; however, management shall relevant IPSAS in future transactions as when they become necessary while putting in place measures to ensure full compliance. Council adopted accrual basis IPSAS's for the first time at 01 July 2019 and making use of some of the transitional provisions for the 2021/22 financial year. Details of the exemption in adopting accrual basis IPSAS's are provided below.

The Council chooses to utilise the following transitional exemptions that do not affect the fair presentation of the financial statements:

IPSAS 5 Borrowing Costs  
IPSAS 12 Inventories  
IPSAS 16 Investment Property  
IPSAS 17 Property, Plant and Equipment  
IPSAS 19 Provision, Contingent Liabilities and Contingent Assets  
IPSAS 20 Related Party Disclosure  
IPSAS 30 Financial Instrument

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1. Presentation of annual financial statements (continued)**

IPSAS 31 Intangible Assets  
IPSAS 32 Services Concession Arrangement: Grant  
IPSAS 35 Consolidated Financial Statements  
IPSAS 36 Investments in Associate and Joint Ventures  
IPSAS 39 Employee Benefits

Transitional exemptions utilised that do not affect fair presentation of financial statements:

IPSAS 4 The Effect of Changes in Foreign Exchange Rates  
IPSAS 13 Lease  
IPSAS 21 Impairment for Non-cash Generating Assets  
IPSAS 26 Impairment of Cash Generating Assets  
IPSAS 28 Financial Instruments: Disclosure  
IPSAS 29 Financial Instrument: Recognition and Measurement  
IPSAS 37 Joint Arrangement

IPSAS to be adopted in full during 2021/22 financial period:

IPSAS 1 Presentation of Financial Statements  
IPSAS 2 Cash Flow Statements  
IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors  
IPSAS 9 Revenue from Exchange Transaction  
IPSAS 14 Events after Reporting Date  
IPSAS 22 Disclosure of Information about the General Sectors  
IPSAS 24 Presentation of Budget Information in the Financial Statement

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. It is presented in Namibia Dollar.

Assets, liabilities, revenues and expenses were not set off, except where off setting is either required or permitted by a Standard of IPSAS.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. Certain accounting policies are supported by reasonable and prudent judgments and estimates.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.1. Significant judgments and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from the estimates that may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimations that management have made in the process of applying the Council's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**Revenue recognition**

Accounting Policy 1.3 on Revenue from Exchange Transactions and Accounting Policy 1.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Council.

In making their judgment, the management considered the detailed criteria for the recognition of revenue asset outline 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 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 Council is satisfied that recognition of the revenue in the current year is appropriate.

**Impairment of Financial Assets**

Accounting Policy 1.9 on Financial Instruments sub-paragraph 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 Council considered the detailed criteria of impairment and used its judgment 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 Council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.1. Significant judgments and sources of estimation uncertainty (continued)**

**Impairment of Trade Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their credit worthiness. This is performed per service-identifiable categories across all classes of debtors.

**Useful lives of property, plant and equipment, intangible assets and investment property**

As described in Accounting Policies 1.4 and 1.5 the Council depreciates its Property, Plant and Equipment, and Investment Property, and amortises its Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

**Impairment: Write-down of Property, Plant and Equipment, Intangible Assets, Investment Property and Inventories**

Accounting Policy 1.7 on Impairment of Assets, Accounting Policy 1.5 on Intangible Assets — Subsequent Measurement, Amortisation and Impairment; and Accounting Policy 1.10 on Inventory — Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Council. Significant estimates and judgments are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible Assets and Investment Property are disclosed in the respective notes to the Annual Financial Statements, if applicable.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.2 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

**Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**Government Grants and Receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the Council has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs, are recognised in Surplus or Deficit 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 Council's interest, it is recognised as interest earned in Surplus or Deficit.

**Fines**

Fines constitute both spot fines and summons.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The Council uses estimates to de amount of revenue that the Council is entitled to collect that is subject to further legal proceedings.

**Bequests**

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

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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

**Public Contributions**

Revenue from public contributions 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.

**Service in-kind**

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

**1.3 Revenue from exchange transactions**

**Sale of goods (including Houses)**

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

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

**Service Charges**

Service Charges are levied in terms of the approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**Service Charges (continued)**

Service Charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage and are levied based on the number of bins on each property.

Service Charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council, and are levied monthly.

**Rentals received**

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

**Finance income**

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on Councilors' Gratuity Fund is allocated directly to the Creditor: Councilors' Gratuity Fund.
- Interest earned on unutilized Conditional Donations is allocated directly to the Creditor. Unutilised Public Donations, if the unutilised donations are kept in a dedicated separate bank account.

**Dividends and surcharges**

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

**Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.



**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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#### 1.4 Property, Plant and Equipment

##### Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the Council for no or nominal consideration (i.e. A non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

##### Subsequent Measurement

Subsequently all Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

##### Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

<b>Item</b>	<b>Average useful life</b>
Buildings	
• Improvements	8 – 80
Infrastructure	
• Roads and storm water	8 – 80
• Sanitation	10 – 80
• Solid waste	5 – 80
• Water	10 – 90
Others	
• Computer equipment	4 – 8
• Furniture and fittings	5 – 8
• Motor vehicles	5 – 15
• Office equipment	4 – 15
• Plant and equipment	4 – 15

##### Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.4 Property, Plant and Equipment (continued)**

Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

Derecognition

The gain or loss arising from derecognition 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.

**1.5 Intangible assets**

Initial recognition.

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred, and costs incurred on development projects are recognised as Intangible Assets in accordance with IPSAS 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost.

Where an intangible Asset acquired by the municipality for no or nominal consideration (i.e., a non-exchange transaction), the cost is deemed to be equal to the value of that asset on the date acquired.

The cost of an intangible asset acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and maintenance are expenses incurred through serving equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in surplus or deficit and measured at cost.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.5 Intangible assets (continued)**

Subsequent Measurement, Amortisation and Impairment

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Derecognition

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised. Gains are not classified as Revenue.

**1.6 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**1.6.1. Council as Lessee**

*Finance leases*

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the Council uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.6.1 Council as Lessee (continued)**

*Operating Leases*

The Council recognise operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

**1.6.2 Council as a Lessor**

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the Council's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods to reflect a constant periodic rate of return on the Council's net investment out standing in respect of the leases or instalment sale agreements.

Rental revenue from Operating Leases is recognised on a Straight-line basis over the term of the relevant lease.

**1.7 Impairment of cash-generating assets**

The Council classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

The Council assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.7 Impairment of cash-generating assets (continued)**

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit prorata on the basis of the carrying amount of each asset in the unit.

The Council assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

**1.8 Impairment of non-cash-generating assets**

The Council assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.8 Impairment of non-cash-generating assets (continued)**

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit prorata on the basis of the carrying amount of each asset in the unit.

The Council assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

**1.9 Financial instruments**

The Council has various types of Financial Instruments, and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

**Initial Recognition**

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

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

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.9 Financial instruments (continued)**

Fair Value Methods and Assumptions

The fair value of financial instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices;
- The market for a Financial Asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs;

**Classification**

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class (type) of financial asset</b>	<b>Classification as per IPSAS 41</b>
Prepayment	Financial asset measured as amortised cost
VAT receivable	Financial asset measured as amortised cost
Receivable from exchange transactions	Financial asset measured as amortised cost
Cash and cash equivalents	Financial asset measured as amortised cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Council Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class (type) of asset</b>	<b>Classification as per IPSAS 41</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.9 Financial instruments (continued)**

**Initial and subsequent measurement of financial assets and financial liabilities**

**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 recognised in Surplus or Deficit.

Financial assets measured at amortised cost.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

**Financial Liabilities:**

**At Amortised Cost**

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at Fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.



**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.9 Financial instruments (continued)**

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and over drafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**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 recognised through the use of an allowance account.

**Financial Assets at Amortised Cost**

A provision for impairment of Accounts Receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The provision is made 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 Amortised 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 recognised in Surplus or Deficit.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.9 Financial instruments (continued)**

**Derecognition**

Financial assets

The Council derecognise Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Council neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Council recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Council retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the Council continues to recognise the Financial Asset and also recognise a collateralised borrowing for the proceeds received.

Financial liabilities

The Council derecognise Financial Liabilities when, and only when, the Council's obligations are discharged, cancelled or they expire. The village Council recognise the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

**1.10 Inventories**

Initial Recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, and then the cost is at fair value as at the date of acquisition. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.10 Inventories (continued)**

Where Inventory is acquired by the Council for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

**Subsequent Measurement**

Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods.

Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the FIFO Method.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the FIFO Method.

**Water Inventory**

Water is regarded as Inventory where the Council has incurred purification costs on water obtained from natural resources (boreholes). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the Council but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the Weighted Average Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in the distribution network at year-end.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.10 Inventories (continued)**

**Other Arrangements**

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**1.11 Provisions and contingencies**

The best way to estimate expenditure required to settle the present obligation is the amount that the Council would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. This is done by the judgment of the management of the Council, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.11 Provisions and contingencies (continued)**

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

**Decommissioning, restoration and similar liability**

Estimated long-term environmental provisions, comprising rehabilitation and land fill site closure, are based on the Council's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

**1.12 Employee benefits**

Employee benefits are all forms of consideration given by Council in exchange for service rendered by employees.

**Short-term employee benefits**

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 Council recognise the expected cost of performance bonuses only when the Council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Council pays fixed contributions into a separate Fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**1.13 Borrowing costs**

The Council uses the Benchmark treatment of Borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

**1.14 Related parties**

Individuals as well as their close family members, and / or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and / or operating decisions. Management is regarded as a related party and comprises the Chairperson, Deputy Chairperson, Council Members, Chief Executive Officer and all head of departments reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

**1.15 Going concern assumption**

Council was not spared from the impact of Covid-19 and related effects. However, the Council have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 28 to the Annual Financial Statements.

**1.16 Investments in associates**

An investment in an associate is carried at cost less any accumulated impairment.

**1.17 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

**1.18. Net assets**

Accumulated Surplus

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

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

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**1.19 Grants-In-Aid**

The Council transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the 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 Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

**1.20. Value Added Tax**

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

**1.21. Events after reporting date**

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting

Events after the reporting date have been disclosed in notes to the annual financial statements, see note 29.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

**2. Property, Plant and Equipment - 2022**

	<b>Construction/ Acquisition Cost</b>	<b>Accumulated Depreciated</b>	<b>Carrying Value</b>
	N\$	N\$	N\$
Land	543 830 753	-	543 830 753
Buildings	16 204 385	(1 317 340)	14 887 045
Furniture, fixtures and fittings	288 097	(233 748)	54 349
Computer and Office equipment	219 068	(186 231)	32 837
Plant and Machinery	1 005 596	(277 801)	727 795
Motor Vehicles	3 231 924	(1 239 563)	1 992 361
Infrastructure	58 655 877	(7 470 136)	51 185 741
Work in progress	14 280 405	-	14 280 405
<b>Total</b>	<b>637 716 105</b>	<b>(10 724 819)</b>	<b>626 991 286</b>

**2. Property, Plant and Equipment - 2021**

	<b>Construction/ Acquisition Cost</b>	<b>Accumulated Depreciated</b>	<b>Carrying Value</b>
	N\$	N\$	N\$
Land	543 830 753	-	543 830 753
Buildings	16 204 385	(1 235 216)	14 969 169
Furniture fixtures and fittings	288 097	(183 110)	104 987
Computer and Office equipment	219 068	(158 208)	60 860
Plant and Machinery	1 005 596	(191 441)	814 155
Motor Vehicles	3 231 924	(1 081 230)	2 150 964
Infrastructure	54 528 684	(5 916 590)	48 612 094
Work in progress	12 333 653	-	12 333 652
<b>Total</b>	<b>631 642 160</b>	<b>(8 765 795)</b>	<b>622 876 366</b>



**VILLAGE COUNCIL OF OKONGO  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**

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**2. Property, Plant and Equipment (continued)**

Okongo Village Council land covers an area of 27 930 000 square metres as at the Council proclamation in November 2015. Of this land, 1 786 515 square metres are serviced while 26 062 599 square meters are not serviced. Residents, institutions, and businesses occupy different sizes of erven and occupation for Okongo Proper area dates back to pre-proclamation periods when the Council was still a settlement under the administration of the Ohangwena Regional Council, while other areas (other than Okongo Proper) were allocated to residents, business, and institutions by the Council after proclamation.

The initial approval of sale of land was granted by the Ministry of Urban and Rural Development on 26 September 2019 (being the first approval) and 08 July 2020 (being the second approval) a total of two applications made and approved to date. None land sales meant that the Council could not charge or collect rates on properties within the Okongo urban area. The initial approval by the Ministry of Urban and Rural Development will trigger collectability of revenue from property rates.

The Council's assets are not held as security by creditors and none of the Council's assets are held for sale as at the reporting date

VILLAGE COUNCIL OF OKONGO  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
 AND 2022 (continued)

2. Property, Plant and Equipment (continued)

Reconciliation of Property, plant and equipment-2022

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Land	543 830 753	-	-	543 830 753
Buildings	14 969 169	-	(82 124)	14 887 045
Plant and machinery	814 156	-	(86 361)	727 795
Furniture and fixtures	104 987	-	(50 638)	54 349
Motor vehicles	2 150 694	-	(158 333)	1 992 361
Office equipment	60 860	-	(28 023)	32 837
Infrastructure	48 612 094	4 127 193	(1 553 546)	51 185 741
Work in Progress	12 333 653	1 946 752	-	14 280 405
	<b>622 876 366</b>	<b>6 073 945</b>	<b>(1 959 025)</b>	<b>626 991 286</b>

Reconciliation of Property, plant and equipment-2021

Land	543 830 753	-	-	543 830 753
Buildings	15 306 238	-	(337 069)	14 969 169
Plant and machinery	900 516	-	(86 360)	814 156
Furniture and fixtures	160 458	-	(55 471)	104 987
Motor vehicles	2 437 566	-	(286 872)	2 150 694
Office equipment	100 078	-	(39 218)	60 860
Infrastructure	48 004 129	1 954 615	(1 346 650)	48 612 094
Work in Progress	8 793 433	3 540 220	-	12 333 653
	<b>619 533 171</b>	<b>5 494 835</b>	<b>(2 151 640)</b>	<b>622 876 366</b>

Creditors do not hold the Council's assets as security and none of the Council's assets is held for sale as at the reporting date

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

**3. Intangible Assets**

There has not been any accumulated amortisation on the Council's intangible asset due to the policy which prescribes non-amortisation of intangibles and as a result, no movements were recorded during the financial year were recorded. The Council does not amortise its intangible assets over their useful life.

In relation to impairment assessment of its intangible asset:

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

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

In line with IPSAS adoption, the Council intends to develop an enhanced annual assessment model of its intangible assets within the transitional period and thereafter.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
Microsoft Dynamic	146 512	146 512	146 512

**4. Long Term Receivables**

Long-term receivables comprise of Build Together loans outstanding as at the reporting date. Build Together loans attract an annual interest rate between 4% and 7% depending on the amount of the loan falling between N\$ 3 000 and N\$ 80 000 and agreed between the recipient and Okongo Village Council. The Council is working on long-term receivables to establish the rate of default and improve measurement and disclosure in line with the IPSAS 28, 29 and 30.

**5. Investments**

The investment in Nored is an equity instrument in accordance with IPSAS 28, and the substance of the contractual agreement provides for a transfer of electrical infrastructure within Okongo urban to Nored at cost in exchange for shares (equity) in Nored. The equity instrument first satisfied recognition criteria at the date of signing the contractual agreement as specified in the contract. The Council intends to disclose the value of its equity within the transitional period to ensure appropriate disclosure.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
NORED Investment	5 518 759	5 389 491	5 389 491

## ANNEXURE E

## VILLAGE COUNCIL OF OKONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)

## 6. Inventory - 2022

Zoning	Number of plots	Size m <sup>2</sup>	Price per	Value
			square meter N\$	
General Residential	2	1 632	20	31 857
Industrial	2	750	20	14 640
Residential	92	48 076	20	938 444
Business	26	30 428	20	593 955
Inventory in warehouse	-	-	-	174 264
<b>Total</b>	<b>122</b>	<b>80 886</b>	<b>-</b>	<b>1 753 571</b>

## Inventory - 2021

General Residential	2	1 632	20	31 857
Industrial	2	750	20	14 640
Residential	92	48 076	20	938 444
Business	26	30 428	20	593 955
Inventory in warehouse	-	-	-	322 538
<b>Total</b>	<b>122</b>	<b>80 886</b>	<b>-</b>	<b>1 901 433</b>

## Inventory - 2020

General Residential	2	1 632	20	31 857
Industrial	2	750	20	14 640
Residential	92	48 076	20	938 444
Business	26	30 428	20	593 955
Inventory in warehouse	-	-	-	357 264
<b>Total</b>	<b>122</b>	<b>80 886</b>	<b>-</b>	<b>1 936 159</b>

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

Serviced erven for which approval to sell was granted by the Ministry of Urban and Rural Development in terms of 30 (1) (t) of the Local Authorities Act, 1992 (Act No. 23 of 1992) as amended totaled 80 886 square meters.

Permission to sell was granted by the Ministry of Urban and Rural Development on 26 September 2019 (first approval) and 08 July 2020 (second approval), a total of two applications made and approved to date.

Okongo Village Council may have more than 80 886 square meters of serviced plots with new extensions having been earmarked for servicing. In line with IPSAS 33, the Council expects to measure all its assets and liabilities within the transitional period ending 30 June 2022.

As at the reporting date, the Council did not have a gazette price of serviced or un-serviced land per square meter. The price of N\$ 19.52 was determined by using statistical data for other related Councils with gazette prices for land. The Council intends to have a gazette price for land by the end of the coming financial year ending 30 June 2021.

Okongo Village Council recognise inventory held in its warehouse at cost less impairment losses. IPSAS 33, First time adoption of accrual basis IPSAS allows the Council to measure its inventories within a 3-year transition period. Due to the nature of some of its inventory falling within the property (land) category taking more than one financial year to prepare for sale, the Council intends to measure its inventory in line with IPSAS 33, though the nature of some other inventory held under current assets are realisable, consumable, and/or saleable or usable within the Council's normal annual operating cycle.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>7. Accounts Receivables</b>	<b>2 848 830</b>	<b>10 282 440</b>	<b>1 658 927</b>
Accounts receivables age analysis	14 552 887	10 904 906	6 870 477
Provision for bad debts	(11 704 057)	(622 466)	(5 211 550)

Increase in provision for doubtful debts is measured as 120 days+ current year less 120 day+ prior year.

In restating the prior year accounts receivables, management considered adjustments made to the prior year receivables balance to result in inconsistencies that may not reflect accurately the accounts receivables balance under the IPSAS model.

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>8. Cash and Cash Equivalents</b>	<b>13 006 606</b>	<b>9 532 505</b>	<b>3 225 882</b>
Bank Account-Operation/Current Account	80 254	43 557	212 673
Bank Account-Call Account	9 763 861	6 464 297	1 617 146
Bank Account-Investment Capital Account	80 002	19 860	19 865
Bank-BTP current account	1 735 038	1 720 217	70 737
Bank-BTP call account	173 602	127 755	82 479
BANK-Gold business account	-	(203)	234 148
BANK-Super save account	136 917	120 312	94 170
BANK-STD investment	798 678	798 678	800 494
BANK-Super save account	-	-	94 170
BANK-STD Transitional Account	-	4 519	-
BANK-Investment Account	238 251	233 513	-

Okongo Village Council adopted IPSAS on 01 July 2019, and cash held with financial institutions (including call accounts) satisfy the definition of cash and cash equivalents. In consideration of Covid-19, there have been no restrictions on redemption on both call and savings accounts.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>9. VAT Receivables</b>	<b>3 495 172</b>	<b>4 675 788</b>	<b>4 041 910</b>
VAT – Operational	3 495 172	4 675 788	4 038 457
VAT – Omaludi	-	-	3 452

The VAT as per note is because of an excess of input VAT over output VAT. The Council collects VAT, remits it to the Receiver of Revenue, and relies on the policies of the Receiver of Revenue in administering collection and remitting.

## ANNEXURE E

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>10. Accounts Payable</b>	<b>5 122 866</b>	<b>3 956 820</b>	<b>2 020</b>
Accounts payable – age analysis	976 160	4 683	2 020
Retention on projects	602 122	437 632	-
Build together beneficiaries	1 665 091	1 665 091	-
Leave provision	198 022	-	-
Bonus Provision	46 516	-	-
Repayment from Regional Council	1 634 631	1 634 631	-
Accrued expense	-	214 783	-
Regional Council levy payable	324	-	-
<b>11. Provisions</b>	<b>-</b>	<b>340 918</b>	<b>315 708</b>
Leave provision	-	292 377	258 513
Bonus provision	-	48 541	57 195

Management raised two (2) classes of provisions as set out above and judges that it is the best estimate of the expenditure required to settle the present obligation as at the reporting date. The provisions above relate to the Council employees in service as at the reporting date. Movements in the provisions are attributable to accumulation or reduction in leave days (for leave provision) and timing of birthday days for staff (for bonus provision).

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>12. Unearned Revenue</b>	<b>-</b>	<b>-</b>	<b>301 061</b>
Accounts receivables exclusive of advance payments	-	-	6 870 477
Accounts receivables inclusive of advance payments	-	-	(6 569 415)

Unearned revenue comprises advance payment on customer accounts as at the reporting date. The Council had not offered an exchange of equal value in return as at 30 June 2020. The amount of N\$ 301 061 is reflecting the excess of the billed amount on customer accounts as at the end of the financial year.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

**13. Other Creditors**

Other creditors comprise of unallocated bank deposits which the Council could not trace to a specific customer account or could not process a refund due to unavailability of depositor identity details. Based on past practices, most of the unallocated bank deposits are cleared in the following financial year thereby reducing accounts receivables. The Council has not refunded any portion of deposits to claiming depositors on account of depositor error to wrong account.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
Unallocated receipts	82 677	61 728	30 536
<b>14. Retention fees - Capital Project</b>	<b>-</b>	<b>-</b>	<b>900 866</b>
Construction of Council Office	-	-	460 802
Construction of Services: Extension 1	-	-	330 899
Construction of road	-	-	-
Electricity Okongo	-	-	88 435
Women's project	-	-	20 730
Water reservoir	-	-	-

Retention fees held by the Council relates to capital projects undertaken by various contractors and fall due within 12 months beginning at the date of project completion. Retention fee is withheld whether the Project is finished or still work in progress.



## ANNEXURE E

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>15. Service Charges</b>	<b>5 130 963</b>	<b>9 810 991</b>	<b>4 641 923</b>
Bulk water sales	3 205 333	3 294 944	2 728 724
Refuse removal	1 298 001	1 876 435	1 385 870
Sewerage	627 629	-	335 761
Interest from overdue accounts	-	1 471 075	-
Interest on call deposits	-	97 989	-
Royalties from NORED	-	315 089	-
Leases	-	1 284 400	-
Informal settlement fees	-	694 837	-
Other service charges	-	344 222	191 568
Property sales	-	432 000	-

**16. Surcharge Income**

Surcharge income is attributable to a fee earned by the Council on electricity sales in Okongo Urban. This revenue line is a commission on electricity sales every month.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>17. Interest Received</b>	<b>-</b>	<b>-</b>	<b>1 220 899</b>
Interest from investments	-	-	113 754
Interest on overdue accounts	-	-	1 062 752
Bank interest received	-	-	44 092
Interest received	-	-	300

Interest received comprise interest from bank accounts and interest charged on outstanding consumer accounts (accounts receivables).

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>18. Other Revenue</b>	<b>693 243</b>	-	<b>2 446 278</b>
Permission to occupy	-	-	1 234 612
Abattoirs	-	-	13 005
Tender fees	-	-	50
Building plans approval	15 618	-	11 133
Burial fees	-	-	1 585
Advertising – billboards	59 433	-	131 283
Informal settlement fees	-	-	487 593
Accommodation fees	-	-	18 831
Income from building sand	-	-	4 060
Donations / sponsorship	-	-	7 000
Business registrations	74 558	-	119 128
Search of boundary	-	-	310
Sundries	543 634	-	-
Other income	-	-	417 688

Major contribution to other revenue is from the permission to occupy arrangement where the Council collects a fee on property occupied by businesses or resident(s) without title to of ownership of the property.

## VILLAGE COUNCIL OF OKONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021  
AND 2022 (continued)**19. Government and other department transfers**

Transfers from government and other government departments occurred during the financial year. Amounts received consist of capital and operational transfers (with the exception of Road Fund Authority transfers specifically earmarked for road maintenance). The funds received from government and other government transfers were utilised on projects as planned. The Council satisfied conditions relating to the stipulations on transfers.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>Operating grants</b>	<b>7 200 240</b>	<b>12 643 397</b>	<b>12 584 715</b>
Roads Authority Fund	1 459 670	1 569 479	-
Government subsidies	5 740 570	11 073 918	-

**20. Donations**

Donations in the prior year comprise of a fire truck from the Ministry of Urban and Rural Development. There were no donations received during the financial year.

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

	2022	2021	2020
	N\$	N\$	N\$
<b>21. Employee Cost</b>	<b>3 002 057</b>	<b>3 230 688</b>	<b>3 039 103</b>
Salaries and wages	1 330 721	1 450 320	1 500 219
Service bonus	161 218	115 065	-
Back pay	-	119 685	-
Medical aid	528 921	-	378 209
Housing allowance	275 099	329 949	304 613
Social security, pension fund and medical aid*	-	805 405	288 685
Pension contribution	291 568	-	-
Leave gratuity	222 401	147 461	273 147
Car allowance	14 886	89 316	89 316
Overtime	6 578	47 291	29 129
Social security	10 506	-	9 998
Acting allowance	33 577	-	-
Employee compensation fund	-	-	13 813
Transport allowance	109 782	103 362	104 156
Cell-phone allowance	2 400	7 234	5 058
Airtime allowance	-	-	26 860
Standby allowance	14 400	15 600	15 900

\*SSC, Pension and Medical Aid contribution was combined in the financial year ended 30 June 2021. Remuneration set out above is for personnel with the responsibilities of strategically directing Okongo Council in accordance with IPSAS 20 Related parties, paragraph 21. All remuneration was paid in accordance with the gazetted scales for Local Authorities.

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

**22. Reconciliation of Net Assets/ Equity**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>22.1 Land</b>	-	-	<b>543 830 753</b>
Recognised in prior years	-	-	-
Recognised as at 01 July 2019	-	-	-
Toilets - Reception area	-	-	543 830 753

The Council did not recognise Land in financial statements for prior years. The Council has recognised land under Okongo as at proclamation totaling 27 930 000 square meters on its statement of financial position (refer to note 2).

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>22.2 Buildings</b>	-	-	<b>3 569 476</b>
Tailoring building	-	-	371 953
Maternity Building	-	-	2 645 970
Market stalls and toilets- Omaludi	-	-	189 197
Toilets - Reception area	-	-	48 680
Toilets - Defence	-	-	22 243
Showers - Defence	-	-	44 486
Septic tanks - Reception area	-	-	30 900
Office building plot	-	-	177 632
Tailoring building plot	-	-	9 135
Maternity building plot	-	-	29 280

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

**22. Reconciliation of Net Assets/ Equity (Continued)**

	2022	2021	2020
	N\$	N\$	N\$
<b>23.3 Capital Infrastructure</b>			
Previously recognised	-	-	9 768 108
Adjustments	-	-	42 805 961
Recognised as at 01 July 2019	-	-	<b>52 574 069</b>

**23. Reconciliation to Accumulated Surplus or deficit**

<b>Accumulated surplus or deficit as at 30 June 2019</b>	-	-	<b>49 118 579</b>
<b>Adjustments:</b>			
Allowance for receivables	-	-	9 094
Accumulated depreciation understatement	-	-	(5 055 483)
Unsupported Accumulated surplus	-	-	(10 854 624)
Year on year movements - 2018	-	-	(11 487 868)
Year on year movements - 2017	-	-	(3 585 303)
Other adjustments	-	-	477 317
<b>Accumulated surplus as at 01 July 2019</b>	-	-	<b>18 621 712</b>

Notes to reconciliation to accumulated surplus or deficit:

**Accumulated depreciation understatement**

The correction to accumulated depreciation in N\$ 5 055 483 in the above schedule of adjustments is largely attributable to assets that were not recognised on the statement of financial position from date when the assets were put in a location where they were capable of operating in the manner intended by management up to the date of IPSAS adoption (01 July 2019).

**Unsupported accumulated surplus**

The Council received transfers from government amounting to N\$ 17 457 723 in the financial year ended 30 June 2017 and released the total amount to the statement of surplus or deficit for that financial year and only N\$ 6 603 099 was utilised on assets under construction.

**VILLAGE COUNCIL OF OKONGO**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021**  
**AND 2022 (continued)**

**23. Reconciliation to Accumulated Surplus or deficit (continue)**

**Year on year movements - 2018**

Total accumulated surplus as at 30 June 2018 stood at N\$ 22 083 847 and as at 01 July 2018 increased to N\$ 33 571 715 without any supporting general ledger adjustments or any related accounting events.

**Year on year movements – 2017**

Total accumulated surplus as at 30 June 2017 stood at N\$ 22 083 847 and as at 01 July 2017 increased to N\$ 25 669 150 without any supporting general ledger adjustments or any related accounting events.

	2022	2021	2020
	N\$	N\$	N\$
<b>24. Cash received from customers</b>	-	-	<b>6 686 130</b>
Opening accounts receivables	-	-	4 703 329
Add: sales revenue	-	-	8 521 681
Add: unearned revenue	-	-	301 061
Add: unknown deposits	-	-	30 536
Less: closing accounts receivables	-	-	(6 870 477)
<b>25. Repairs and Maintenance</b>	-	-	<b>671 819</b>
Maintenance - computer equipment	-	-	2 469
Maintenance – dumpsite	-	-	4 400
Maintenance – reticulation	-	-	242 293
Maintenance - office furniture, fixtures & fittings	-	-	251 234
Maintenance – vehicles	-	-	52 194
Maintenance - machinery and equipment	-	-	36 424
Maintenance – roads	-	-	38 863
Maintenance - street lights	-	-	12 736
Maintenance - cemetery	-	-	6 072
Maintenance – sewerage	-	-	25 133

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>26. General Expenses</b>	<b>3 225 408</b>	<b>-</b>	<b>4 503 347</b>
Accounting fees	29 500	-	-
Interest on overdue account	-	-	22
Protective clothing	20 748	-	776
Vehicle licences	-	-	5 134
Motor vehicle expense	2 486	-	-
Membership fees	11 600	-	9 900
Road access	-	-	10 000
Training	16 261	-	11 785
Postage and courier	1 895	-	21 277
Regional Council levy	324	-	-
Advertising	32 676	-	29 766
Vehicle insurance	-	-	35 598
Entertainment	5 675	-	44 712
Financial Statements	-	-	49 625
Kilometre claims	-	-	79 214
Security services	165 600	-	80 870
Printing and stationery	54 619	-	100 447
Telephone	36 665	-	114 289
Fuel and oil	150 000	-	116 434
Insurance	35 821	-	-
Refuse removal	378 522	-	-
Service bonus	-	-	159 376
Software licence and support	204 738	-	166 905
Travel and subsistence	127 594	-	168 356
Contract and agreements	-	-	350 732
Omaludi festival expenses	-	-	716 042
Electricity consumption	1 023 182	-	919 697
Compensation	519 189	-	926 804
Other expenses - Omaludi festival	-	-	11 475



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

	2022	2021	2020
	N\$	N\$	N\$
<b>26. General Expenses (continued)</b>			
Other expenses	69 430	-	-
Water	9 881	-	-
Bank charges	133 361	-	93 216
Material and stores	195 641	-	280 895
<b>27. Other expenses</b>	<b>-</b>	<b>2 618 017</b>	<b>-</b>
Motor vehicle expnses	-	113 618	-
Travel and subsistence	-	177 054	-
Software licensing and support	-	193 024	-
Professional fees	-	103 295	-
Security	-	190 461	-
Electricity	-	899 875	-
Compensation expenses	-	141 393	-
Office supplies	-	159 496	-
Contract and agreements	-	337 833	-
Bank charges	-	108 152	-
Membership fees	-	45 400	-
General expenses	-	148 416	-

**28. Going concern**

Management considered the following matters relating to the Going concern

- i. Strict daily cash management processes are embedded in the Council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.
- ii. As the Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- iii. It is in public interest that the Council remains solvent and continue as an ongoing concern thus it continues to receive government grants for operation and capital.

Taking the aforementioned into account, management has prepared the annual financial statements on the Going concern basis.

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

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**29. Events after the reporting date**

No events having financial implications requiring disclosure of subsequent events for the financial years under review.