



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF OKONGO  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023**

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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 year ended 30 June 2023 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, MARCH 2025**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF OKONGO  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

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**1. QUALIFIED OF AUDIT OPINION**

I have audited the financial statements of the Village Council of Okongo for the financial year ended 30 June 2023 as attached Annexure A to E. 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 the Annual Financial Statements including a summary of significant accounting policies for the year then ended.

In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly in all material respect, the financial position of the Village Council of Okongo for the financial year ended 30 June 2023, its financial performance for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

**2. BASIS FOR QUALIFIED AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). 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 qualified audit opinion is being expressed due to the following:

**2.1 DIFFERENCE IN AMOUNTS**

The audit found differences between the financial statements and the source documents/accounts as follows:

- Current assets: A difference of N\$ 1 697 was noted between VAT receivables in the statement of financial position and the general ledger.
- Current liabilities: A difference of N\$ 577 969 was noted between the payables under exchange transactions in the statement of financial position and the general ledger.
- Creditors age analysis: A difference of N\$ 13 005 was noted between accrued expenses in the creditors' age analysis and those in the general ledger.
- General expenses: The audit found a variance of N\$ 15 563 in general expenses between the statement of financial performance and the general ledger.
- Employee cost: The audit found that the leave gratuity is overstated by N\$ 21 604 and bonus by N\$ 23 124 in the annual financial statements due to incorrect journals processed.

**2.2 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

A difference of N\$ 15 783 206 was observed between the annual financial statement and debtors' age analysis for municipal services accounts and Built Together Beneficiaries. The audit found variances amounting to N\$ 500 (service charges) and N\$ 21 934 (other revenue) between the statement of financial performance and the general ledger respectively. Furthermore, an amount of N\$ 540 for Income from Search of Boundary indicated in the financial statement does not correspond to that in the general ledger which amounts to N\$ 450, leaving an unexplained difference of N\$ 90. Furthermore, the audit found that the Village Council has a high number of

overdue debtors' accounts amounting to N\$ 4 341 952. At the time of writing this report, the credit policy remained unapproved.

### **2.3 SUNDRIES INCOME**

A difference of N\$ 45 349 was observed between the Sundries in Note 6 to financial statement and the general ledger.

### **2.4 UNKNOWN DEPOSITS**

The audit found an amount of N\$ 97 605 for unknown deposits reflected in the general ledger.

### **2.5 DEBT IMPAIRMENT**

The audit observed that an amount of N\$ 4 695 079 was impaired during the financial year under review. The auditors were not provided with policies and workings of how the Council determined the amount impaired. This amount is reflected as a debit and a credit in the Cashflow statement.

### **2.6 PROPERTY, PLANT AND EQUIPMENT (PPE)**

- (i) The audit found that there are no additions to Capital Infrastructure amounting to N\$ 167 466 disclosed in the asset register, however, there are additions to these assets in the financial statements.
- (ii) The audit found variances between the PPE balances disclosed in the financial statements and those disclosed in the fixed asset register amounting to N\$ 1 234 777.
- (iii) The audit observed a variance amounting to N\$ 338 689 053 between the value of the Council's serviced land as per the valuation roll book and the land value indicated in the annual financial statements. It was further observed that there is another portion of land which belongs to and used by the Village Council, however it is not included in Okongo Base Map, neither appearing in the valuation roll book which was provided for audit purposes.

### **2.7 LEASING/PERMISSION TO OCCUPY**

The audit found that some customers entered into a lease agreement with the Council for hiring plots, however ten (10) contracts were not provided for audit purposes.

### **2.8 EMPLOYEE COST**

The audit found that, a building inspector is being remunerated on Grade C4 instead of Grade C1 as result of errors made in advertising and recruiting this staff member in November 2016. Although there is a Council resolution, the audit was not provided with an approval from Ministry of Rural Development (MURD) to authorise the employee to be paid on a salary Grade that is not in the approved salary structure.

### **3. EMPHASIS OF MATTERS**

Attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements as disclosed by the Village Council of Okongo in the financial statements:

#### **3.1 OXIDATION POND/TREATMENT PLANT**

The audit observed that the water in the ponds is being consumed by animals and the fence around it has holes. In addition, the auditors were not provided with an environmental clearance certificate for the ponds.

### **4. OTHER MATTERS**

Attention is drawn to the management on the following matter that relate to my responsibility in the audit of the financial statements and excluding matters already disclosed by the Okongo Village Council in the financial statements. My opinion is not modified in respect of these matters:

#### **4.1 UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT**

During the 2019/2020 financial year, an audit was carried out and the following issues were raised in the Management Letter which was not responded to. However, it was discovered that during the financial year under review, there were still no improvements in the controls for the IT governance structure:

- There is no documented and approved risk management framework and the Village Council does not perform risk assessment procedures;
- The Village Council does not have an IT Steering and Strategic committees; and the Village Council does not have documented policies pertaining to IT environment and physical access.

### **4. 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion;
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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.

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

The financial statements for the financial year ended 30 June 2023 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

### **6.1 DUMPING SITE**

Section 5 of the Environmental Act, Act 7 of 2007, paragraphs 4-5 state that "A person may not discard or cause to be discarded waste or dispose of it in any other manner, except - (a) at a disposal site declared or approved by the Minister in terms of this section; or (b) in a manner or by means of a facility or method and subject to such conditions as the Minister may prescribe as per section (5) Any person who contravenes subsection (4) commits an offence and is on conviction liable to a fine not exceeding N\$ 500 000 or to imprisonment for a period not exceeding 25 years or to both such fine and such imprisonment".

The audit found that the Council did not adhere to Section 5, paragraphs 4-5 of the Environmental Act, Act 7 of 2007 as the dumping site is located between houses. Furthermore, a clearance certificate for the dumping site was also not provided for audit purposes.

Furthermore, IPSAS 19 Provisions, states that Contingent Liabilities and Contingent Assets requires an entity that operates a waste disposal site to restore the site on completion of its operations. Furthermore, the provision for restoration should be disclosed in the financial statement at its carrying amount. The audit found that there is no provision for restoration of the site in the financial statement as required by IPSAS 19.

## **6.2. AUDIT OF KEY PERFORMANCE INDICATORS**

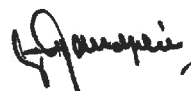
The audit found that the Village Council does not have a Strategic Plan and Annual Plan in place and did not enforce agreements for their staff members, hence no audit could be conducted.

It is therefore recommended that the Accounting Officer should ensure that the Council does have an annual plan in place and should enforce performance agreements for their staff members.

## **7. ACKNOWLEDGEMENT**

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

**WINDHOEK, MARCH 2025**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**OKONGO VILLAGE COUNCIL****ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****GENERAL INFORMATION**

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<b>Country of incorporation and domicile</b>	Namibia
<b>Legal form of entity</b>	Village Council as per Section 2 and 3 of Local Authority Act 23 of 1992
<b>Nature of business and principal activities</b>	Principal activities of Village Council of Okongo are: 1. Provide its residents with equitable council services; 2. Ensure sustainable service delivery to all its inhabitants; 3. Promote social and economic development within the village council area.
<b>Council</b>	Okongo Village Council
<b>Chairperson</b>	Lasarus Shapwa
<b>Councillors</b>	Eunike Shinyongo (Deputy Chairperson) Lydia Hamakali (Member) Paulus Munalye Kapolo (Member) Frieda David (Member)
<b>Grading of local authority</b>	Municipal Council as per Section 2 and 3 of Local Authority Act 23 of 1992
<b>Chief Executive Officer</b>	Immanuel Kayumbu Haikali
<b>Management team</b>	Maria N. Shikomba (Accountant) Linda N.Ndinoshinge (Human Resource Practitioner) Abraham Kapembe (Building Inspector)
<b>Registered office</b>	Erf no. 98 Hospital Road Okongo Namibia
<b>Postal address</b>	Private Bag 66003 Okongo Namibia
<b>Bankers</b>	First National Bank Standard Bank
<b>Auditors</b>	Auditor-General

## **OKONGO VILLAGE COUNCIL**

### **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

#### **ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

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The Accounting Officer is required in terms of the Local Authorities Act 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 Okongo Village 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 annual 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 judgements and estimates.

The Accounting Officer acknowledge that he is ultimately responsible for the system of internal financial control established by the entity and place 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 Okongo Village Council and all employees are required to maintain the highest ethical standards in ensuring the Okongo Village Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Okongo Village Council is on identifying, assessing, managing and monitoring all known forms of risk across the Okongo Village Council. While operating risk cannot be fully eliminated, the Okongo Village Council endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages 8 to 35, which have been prepared on the going concern basis, were approved on 31 October 2023 and were signed by:

Approval of financial statements

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**Immanuel K. Haikali**  
**Chief Executive Officer**

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**Maria N. Shikomba**  
**Accountant**

## ANNEXURE A

## OKONGO VILLAGE COUNCIL

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 N\$	2022 N\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17	10 893 860	13 006 604
Prepayments		529 344	-
VAT receivable	18	1 084 336	3 495 172
Receivables from exchange transactions	19	3 775 829	2 848 830
Inventories	20	49 510 381	1 753 571
		<b>65 793 750</b>	<b>21 104 177</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	22	625 393 326	624 006 387
Intangible assets	23	146 512	146 512
Other financial assets	21	5 389 491	5 518 759
		<b>630 929 329</b>	<b>629 671 658</b>
<b>Total Assets</b>		<b>696 723 079</b>	<b>650 775 835</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables under exchange transactions	24	5 007 822	5 122 867
Payables from non-exchange transactions	25	97 605	82 677
		<b>5 105 427</b>	<b>5 205 544</b>
<b>Total Liabilities</b>		<b>5 105 427</b>	<b>5 205 544</b>
<b>Net Assets</b>		<b>691 617 652</b>	<b>645 570 291</b>
Accumulated surplus		691 617 652	645 570 291

## ANNEXURE B

## OKONGO VILLAGE COUNCIL

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 N\$	2022 N\$
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	2	7 821	6 477
<b>Transfer revenue</b>			
Transfers from government and related entities	3	7 189 157	7 200 240
<b>Total revenue from non-exchange transactions</b>		<b>7 196 978</b>	<b>7 206 717</b>
<b>Revenue from exchange transactions</b>			
Service charges	4	4 984 289	5 130 963
Sale of properties		23 000	48 000
Surcharges and interest		599 683	431 522
Lease and hiring equipment	5	1 969 255	2 027 416
Other Revenue	6	588 949	693 243
Bank interest earned	7	307 715	152 629
Interest earned on outstanding debtors	14	2 911 410	2 083 707
<b>Total revenue from exchange transactions</b>		<b>11 384 301</b>	<b>10 567 480</b>
<b>Total revenue</b>		<b>18 581 279</b>	<b>17 774 197</b>
<b>Expenses</b>			
Employee costs	8	3 436 377	3 002 057
Remuneration of councilors	9	195 312	198 069
Depreciation and amortization expense	10	2 483 301	2 213 971
Repairs and maintenance	11	977 231	786 555
Debt impairment	12	4 695 079	11 704 057
General expenses	13	13 324 599	6 210 307
<b>Total expenses</b>		<b>25 111 899</b>	<b>24 115 016</b>
<b>Deficit for the year</b>		<b>(6 530 620)</b>	<b>(6 340 819)</b>

## ANNEXURE C

## VILLAGE COUNCIL OF OKONGO

## STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2023

	Accumulated surplus	Total net assets/equity
	N\$	N\$
<b>Balance at 1 July 2021</b>	<b>651 911 110</b>	<b>651 911 110</b>
Changes in net assets/equity		
Surplus for the year	(6 340 819)	(6 340 819)
Total changes	(6 340 819)	(6 340 819)
Opening balance as previously reported	645 570 290	645 570 290
Adjustments		
Prior year adjustments	52 577 982	52 577 982
<b>Balance at 1 July 2022 as restated</b>	<b>698 148 272</b>	<b>698 148 272</b>
Changes in net assets/equity		
Surplus for the year	(6 530 620)	(6 530 620)
Total changes	(6 530 620)	(6 530 620)
<b>Balance at 30 June 2023</b>	<b>691 617 652</b>	<b>691 617 652</b>
Note(s)		

## ANNEXURE D

**VILLAGE COUNCIL OF OKONGO**  
**CASH FLOW STATEMENT AS AT 30 JUNE 2023**

	Note	2023 N\$	2022 N\$
<b>Cash flows from operating activities</b>			
Deficit		(6 530 620)	(6 340 819)
<b>Adjustments for:</b>			
Depreciation and amortization expense		2 483 301	2 213 971
Debt impairment		4 695 079	11 704 057
Direct adjustments to net assets (cash)		219 596	478 820
Reclassification of planning and survey		-	2 984 899
Inventory write down to NRV		4 746 485	-
Changes in working capital:			
Inventories		(141 191)	147 862
Receivables from exchange transactions		(926 999)	7 433 629
Debt impairment		(4 695 079)	(11 704 057)
Prepayments		(529 344)	716 042
Payables under exchange transactions		(115 043)	841 344
VAT		2 410 836	1 180 616
Payables from non-exchange		14 928	20 949
<b>Net cash flows from operating activities</b>		<b>1 631 949</b>	<b>9 677 313</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	22	(3 873 961)	(6 073 945)
Proceeds from sale of financial assets		129 268	(129 268)
<b>Net cash flows from investing activities</b>		<b>(3 744 693)</b>	<b>(6 203 213)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2 112 744)</b>	<b>3 474 100</b>
Cash and cash equivalents at the beginning of the year		13 006 604	9 532 504
<b>Cash and cash equivalents at the end of the year</b>	17	<b>10 893 860</b>	<b>13 006 604</b>

The accounting policies on pages 12 to 27 and the notes on pages 28 to 35 form an integral part of the annual financial statements.

**OKONGO VILLAGE COUNCIL  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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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 Standards (IPSAS), as approved by the line minister in consultation with audit Auditor General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended. Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2019, having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General. In the adoption of accrual basis IPSAS's, it has elected to utilize some of the transitional exemptions allowed by IPSAS 33, "First Time Adoption of Accrual Basis IPSAS".

In its transition 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 recognize and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2023 period where the relevant items are recognized 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) requires that Okongo Village Council discloses progress made towards recognizing, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The council has made minimum progress towards such compliance; however management shall apply relevant IPSASs 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 1 July 2019 and is making use of some of the transitional provisions for the 2022/23 financial year. Council continues to use the exemption beyond the three years due to financial resources. Details of the exemptions in adopting accrual basis IPSAS's are provided below.

Village council chooses to utilize the following transitional exemptions that do affect the fair presentation of the financial statements:

IPSAS 5 Borrowing Costs;  
 IPSAS 16 Investment;  
 IPSAS 17 Property, Plant and Equipment;  
 IPSAS 19 Provision, Contingent liabilities and Contingent Assets  
 IPSAS 20 Related Party Disclosure;  
 IPSAS 30 Financial Instruments;  
 IPSAS 31 Intangible Assets  
 IPSAS 32 Services Concession Arrangements: Grantor;  
 IPSAS 36 Investments in Associates and Joint Ventures  
 IPSAS 39 Employee Benefits

**OKONGO VILLAGE COUNCIL**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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

IPSAS 4 The Effects of Changes in Foreign Exchange Rates

IPSAS 13 Leases

IPSAS 21 Impairment for Non-cash Generating Assets

IPSAS 26 Impairment of Cash Generating Assets IPSAS 28 Financial Instruments: Disclosure

IPSAS 29 Financial Instruments: Recognition and Measurement IPSAS 37 Joint Arrangement

IPSAS 37 Joint arrangement

IPSAS's to be adopted in full during 2022/23 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 12 Inventory

IPSAS 14 Events after Reporting Date

IPSAS 22 Disclosure of information about the General Government 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. They are presented in Namibia Dollar.

Assets, liabilities, revenues and expenses were not offset, except where offsetting 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.

### **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 these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 Village Council's Accounting Policies and that have the most significant effect on the amounts recognized in Annual Financial Statements:



**OKONGO VILLAGE COUNCIL  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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## **ACCOUNTING POLICIES**

### **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 Village 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 municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Village Council is satisfied that recognition of the revenue in the current year is appropriate.

### **1.1 Significant judgments and sources of estimation uncertainty (continue)**

#### **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 Village 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 Village Council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

#### **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 Village Council depreciates its Property, Plant & Equipment and Investment Property, and amortizes 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 & Equipment, Intangible Assets, Investment Property and Inventories**

Accounting Policy 1.7 on Impairment of Assets, Accounting Policy 1.5 on Intangible Assets – Subsequent Measurement, Amortization 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 Village Council. Significant estimates and judgments are made relating to impairment

**OKONGO VILLAGE COUNCIL  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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**ACCOUNTING POLICIES**

testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realizable 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 Realizable 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 Notes 20, 22 and 23 to the Annual Financial Statements, if applicable.

**1.2 Revenue from non-exchange transactions**

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

**Rates and taxes**

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized 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 recognized as revenue to the extent that the Village 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 Village Council with no future related costs, are recognized 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 Village Council's interest, it is recognized as interest earned in Surplus or Deficit.

**Fines**

Fines constitute both spot fines and summons.

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

**OKONGO VILLAGE COUNCIL**  
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**ACCOUNTING POLICIES**

**Bequests**

Bequests that satisfy the definition of an asset are recognized 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.

**Public contributions**

Revenue from public contributions is recognized 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.

**Services in-kind**

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

**1.3 Revenue from exchange transactions**

**Sale of goods (including houses)**

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

- the Okongo Village Council has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Okongo Village Council 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 recognized 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 recognized 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 meters have been read. These adjustments are recognized 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.

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Service charges relating to refuse removal are recognized 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 recognized 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 recognized on a Straight-line Basis over the term of the lease agreement.

**Finance income**

Interest earned on investments is recognized 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 recognized 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: Unutilized Public Donations, if the unutilized donations are kept in a dedicated separate bank account.

**ACCOUNTING POLICIES****Dividends and surcharges**

Dividends are recognized on the date that 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 recognized when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licenses and permits.

**1.4 Property, plant and equipment****Initial recognition**

Property, Plant and Equipment are initially recognized at cost.

Where an asset is acquired by the municipality 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>
<b>BUILDINGS: Improvements</b>	8-80
<b>INFRASTRUCTURE</b>	
Roads and storm water	8- 80
Sanitation	10-90
Solid waste	5-80
Water	10-90
<b>OTHER</b>	4-8
Computer equipment	5-8
Furniture and fittings	5-15
Motor vehicles	4-15
Office equipment	4-15
Plant & equipment	4-15

### **Land**

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

### **Construction work**

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

### **De-recognition**

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

## **1.5 Intangible assets**

Initial recognition.

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

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

#### **Intangible Assets are initially recognized at cost**

Where an Intangible Asset is acquired by the municipality 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.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or 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 not 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 servicing equipment or repairing of existing assets. These expenses are not recognized in the carrying value of the asset, but directly recognized in Surplus or Deficit and measured at cost.

#### **Subsequent Measurement, Amortization and Impairment**

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

#### **De-recognition**

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

**OKONGO VILLAGE COUNCIL****ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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**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.

**ACCOUNTING POLICIES****1.6.1 Council as Lessee****Finance leases**

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalized 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 recognized at equal amounts. In discounting the lease payments, the Village 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 recognition 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.

**Operating Leases**

The Village Council recognizes 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 recognized as an expense and the contractual payments are recognized as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

**Council as a Lessor**

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

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

**1.7 Impairment of cash-generating assets**

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

**OKONGO VILLAGE COUNCIL  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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**ACCOUNTING POLICIES**

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 amortization is recognized immediately in Surplus or Deficit.

An impairment loss is recognized 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 prorate on the basis of the carrying amount of each asset in the unit.

The Village Council assesses at each reporting date whether there is any indication that an impairment loss recognized 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 recognized for the asset in prior periods.

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

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

The Village 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 amortization is recognized immediately in Surplus or Deficit.

An impairment loss is recognized 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 prorate on the basis of the carrying amount of each asset in the unit.

The Village Council assesses at each reporting date whether there is any indication that an impairment loss



recognized 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 recognized for the asset in prior periods.

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

## 1.9 Financial instruments

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

### Initial Recognition

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

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

### 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 Village 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 Okongo Village Council 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</b>	<b>Category</b>
Prepayment	Financial asset measured at amortized cost
VAT Receivable	Financial asset measured at amortized cost
Receivable from exchange transactions	financial asset measured at amortized cost
Cash and cash equivalents	financial asset measured at amortized cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortized 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 Okongo Village Council 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</b>	<b>Category</b>
Payables from exchange transactions	financial liability measured at amortized cost
Payables from non-exchange transactions	financial liability measured at amortized cost

### **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 recognized in Surplus or Deficit.

##### **Financial assets measured at amortized cost**

If there is objective evidence that an impairment loss on financial assets measured at amortized 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 recognized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in surplus or deficit.

#### **Financial Liabilities:**

##### **At Amortized 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 amortized cost using the Effective Interest Rate Method. Interest expense is recognized in Surplus or Deficit by applying the effective interest rate.

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 recognized through the use of an allowance account.

### **Financial Assets at Amortized Cost**

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

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

### **De-recognition financial assets**

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

### **Financial liabilities**

The Village council derecognizes Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The Village council recognizes 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, then their costs are their 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.

Where Inventory is acquired by the Village 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 realizable 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 when the Village Council purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Village Council has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the Village Council, but cannot be measured reliably as there is no cost attached to the water, is therefore not recognized 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 realizable value, insofar as it is stored and controlled in the distribution network at year-end.

### **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 realizable value with regard to their estimated economic or reliable values. Net realizable 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 realizable value, are recognized 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 realizable value is recognized as a reduction in the amount of Inventories recognized as an expense in the period in which the reversal occurs.

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

## **1.11 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 recognized during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Village Council recognizes the expected cost of performance bonuses only when the Village Council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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

Defined contribution plans are post-employment benefit plans under which 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.

### **1.12 Borrowing costs**

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

### **1.13 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.

### **1.14 Going concern assumption**

Council was not spared from the impact of Covid-19 and related effects. However, the municipality have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 27 to the Annual Financial Statements.

### **1.15 Investment in associates**

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

### **1.16 Unauthorized expenditure**

Unauthorized expenditure means:

- 1.16.1 Overspending of a vote or a main division within a vote; and
- 1.16.2 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.

### **1.17 Net assets Accumulated Surplus**

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

### **1.18 Grants-in-aid**

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

### **1.19 Value Added Tax**

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

### **1.20 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 28.

## ANNEXURE E

## 2. Property rates

### Rates received

Property rates and taxes	7 821	6 477
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### 3. Transfers from government and related entities

### Operating grants

Roads Authority Fund	669 022	1 459 670
Government subsidy	6 520 135	5 740 570

Capital grants		
	7 189 157	7 200 240

#### 4. Service charges

Sale of water	3 162 906	3 205 333
Sewerage and sanitation charges	540 448	627 629
Refuse removal	1 259 518	1 298 001
Other service charges	21 417	-
	<u>4 984 289</u>	<u>5 130 963</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

## 5. Rental of facilities and equipment

Premises	1 969 255	2 027 416
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Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

## 6. Other income

Building plan fees	17 900	15 618
Business fitness certificate fees	84 294	74 558
Sundries	56 567	543 634
Advertising fees	43 035	59 433
Omali income	386 653	-
Connection fees	500	-
	<u>588 949</u>	<u>693 243</u>

## 7. Interest received - investment

Bank	307 715	152 629
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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2023</b>	<b>2022</b>
	N\$	N\$
<b>8. Employee related costs</b>		
Basic	1 482 668	1 330 721
Bonus	130 473	161 218
Medical aid - company contributions	707 408	528 921
Social Security	12 255	10 506
Leave expense	89 895	222 401
Pension - Company contributions	308 550	291 568
Overtime payments	102 158	6 578
Acting allowances	33 642	33 577
Transport allowance	113 634	109 782
Car allowance	89 316	14 886
Housing allowances	335 178	275 099
Standby allowances	16 800	14 400
Cell phone allowance	14 400	2 400
	<b><u>3 436 377</u></b>	<b><u>3 002 057</u></b>
<b>9. Remuneration of councilors</b>		
Mayor	88 909	88 910
Deputy Mayor	81 288	86 089
Ordinary Councilors	209 148	417 123
	<b><u>379 345</u></b>	<b><u>592 122</u></b>
<b>In-kind benefits</b>		
Councilors may utilize official Council transportation when engaged in official duties.		
The Chairperson has use of a Council vehicle for official duties, and another Village council vehicle which also may be used by the Deputy Mayor when representing the Chairperson.		
<b>10. Depreciation and amortization expense</b>		
Property, plant and equipment	<b><u>2 483 301</u></b>	<b><u>2 213 971</u></b>
<b>11. Repairs and maintenance</b>		
Repairs and maintenance (all assets)	<b><u>977 231</u></b>	<b><u>786 555</u></b>
<b>12. Debt impairment</b>		
Debt impairment	<b><u>4 695 079</u></b>	<b><u>11 704 057</u></b>



**OKONGO VILLAGE COUNCIL**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE 2023**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2023</b>	<b>2022</b>
	N\$	N\$
<b>13. General expenses</b>		
Accounting fees	3 500	29 500
Other expenses	59 416	69 430
Advertising	58 408	32 676
Bank charges	130 830	133 361
Entertainment Cost	24 252	5 675
Refuse removal & cleaning	376 145	378 522
Legal expenses	29 750	-
Electricity consumption	1 243 516	1 023 182
Fuel	109 562	150 000
Hiring of Facilities & Equipment	3 919	-
Insurance	31 714	35 821
Regional council levy	324	324
Inventories Written-off	4 746 485	-
Vehicle licenses fees	4 557	2 486
Material and store	113 557	195 641
Postage, courier and telephone	9 316	1 895
VAT Expenses	2 971 673	-
Printing and stationery	80 964	54 619
Protective clothing	47 681	20 748
Surveying and planning	2 022 214	2 984 899
Security (Guarding of municipal property)	172 648	165 600
Compensation	525 251	519 189
Software and Other licenses expenses	301 910	204 738
Subscriptions and membership fees	3 000	11 600
Telephone	39 872	36 665
Training	34 299	16 261
Travel & subsistence	156 836	127 594
Cost of land (erven) sold	23 000	-
Water	-	9 881
	<b>13 324 599</b>	<b>6 210 307</b>
<b>14. Other revenue</b>		
Interest earned on outstanding debtors	<b>2 911 410</b>	<b>2 083 707</b>
<b>15. Rental of facilities and equipment</b>		
<b>Premises</b>		
PTO/Lease	<b>1 969 255</b>	<b>2 027 416</b>
<b>16. Investment revenue</b>		
<b>Interest revenue</b>		
Bank interest earned	<b>307 715</b>	<b>152 629</b>

	<u>2023</u>	<u>2022</u>
	N\$	N\$
<b>17. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	2 020 151	1 952 210
Short-term deposits	8 873 709	11 054 394
	<u>10 893 860</u>	<u>13 006 604</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

No other restrictions have been imposed on the Village Council in terms of the utilization of its Cash and Cash Equivalents.

#### **18. VAT receivable**

VAT	<u>1 084 336</u>	<u>3 495 172</u>
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VAT is payable in terms of section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment, whichever is the earlier.

No interest is payable to the Inland Revenue if the VAT is paid over timeously, but interest for late payments is charged in accordance with the Value-Added Tax Act. The Village Council has financial risk policies in place to ensure that payments are affected before the due date.

#### **19. Receivables from exchange transactions**

Trade debtors	<u>3 775 829</u>	<u>2 848 830</u>
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Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Village council strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Village council did not pledge any of its Receivables as security for borrowing purposes.

#### **Allowance for impairment:**

At 30 June 2023 Receivables from Exchange Transactions of N\$16 374 181 (30 June 2022: N\$11 704 057) were impaired and fully provided for.

#### **20. Inventories**

Finished goods	315 866	174 676
Inventories -Erven	53 941 000	1 578 895
Inventories (write-downs)	(4 746 485)	-
	<u>49 510 381</u>	<u>1 753 571</u>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. While land inventory is written down to Net Realizable Value.

No Inventories have been pledged as collateral for Liabilities of the Village council.

## 21. Other financial assets

### Residual interest at cost

Unlisted shares in NORED

**5 389 491      5 518 759**

## 21. Other financial assets (continued)

### Non-current assets

Residual interest at cost

**5 389 491      5 518 759**

## 22. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Land	543 830 753	-	543 830 753	543 830 753	-	543 830 753
Buildings	20 159 166	(1 680 775)	18 478 391	16 204 385	(1 317 340)	14 887 045
Plant and machinery	1 507 886	(396 768)	1 111 118	1 005 596	(277 801)	727 795
Furniture and fixtures	288 097	(261 161)	26 936	288 097	(233 748)	54 349
Motor vehicles	3 823 664	(1 427 483)	2 396 181	3 231 924	(1 239 563)	1 992 361
Office equipment	531 983	(239 648)	292 335	219 068	(186 231)	32 837
Infrastructure	58 823 343	(9 206 007)	49 617 336	58 655 877	(7 470 136)	51 185 741
Work In Progress	9 640 276	-	9 640 276	11 295 506	-	11 295 506
<b>Total</b>	<b>638 605 168</b>	<b>(13 211 842)</b>	<b>625 393 326</b>	<b>634 731 206</b>	<b>(10,724,819)</b>	<b>624 006 387</b>

2023

2022

**22. Property, plant and equipment (continued)****Reconciliation of property, plant and equipment - 2023**

	Opening balance	Additions	Transfers	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land	543 830 753	-	-	-	543 830 753
Buildings	14 887 045	2 186 165	1 768 615	(363 434)	18 478 391
Plant and machinery	727 795	502 290	-	(118 967)	1 111 118
Furniture and fixtures	54 349	-	-	(27 413)	26 936
Motor vehicles	1 992 361	591 740	-	(187 920)	2 396 181
Office equipment	32 837	312 915	-	(53 417)	292 335
Infrastructure	51 185 741	167 466	-	(1 735 871)	49 617 336
Work In Progress	11 295 506	113 385	(1 768 615)	-	9 640 276
	<b>624 006 387</b>	<b>3 873 961</b>	<b>-</b>	<b>(2 487 022)</b>	<b>625 393 326</b>

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Transfers	Depreciation	Total
	N\$	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	(2 984 899)	-	11 295 506
	<b>622 876 366</b>	<b>6 073 945</b>	<b>(2 984 899)</b>	<b>(1 959 025)</b>	<b>624 006 387</b>

**23. Intangible assets**

	2023 Cost /Accumulated valuation amortization and accumulated impairment	Carrying value	2022 Cost / Valuation	Accumulated amortization and accumulated impairment	Carrying value
Licenses	146 512 -	146 512	146 512	-	146 512

**Other information**

Impairment of Intangible  
Assets

No impairment losses have been recognized on Intangible Assets of the Village council at the reporting date.

	<b>2023</b>	<b>2022</b>
	N\$	N\$
<b>24. Payables under exchange transactions</b>		
Trade payables	186 625	976 161
Payments received in advanced	590 975	-
BTP beneficiaries	1 665 091	1 665 091
Accrued leave pay	219 627	198 022
Accrued bonus	69 640	46 516
Repayment from Regional Council	1 634 631	1 634 631
Retention	640 909	602 122
Regional council levy payable	324	324
	<b>5 007 822</b>	<b>5 122 867</b>

**Leave pay accrual:**

Leave accrues to the staff of the Village council on an annual basis, subject to certain specified conditions.

The provision is an estimate of the amount due at the reporting date.

**25. Payables from non-exchange transactions**

Unallocated receipts	<b>97 605</b>	<b>82 677</b>
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**Unallocated receipts (Suspense Accounts)** are in respect of temporary advances received in the normal month-to-month operations of the town council, not settled at year-end.

**26. Prior period errors**

1. Surveying and planning expenses, amounting N\$ 2 984 899, were accounted as work in progress however it was later established that it is an expense as it related to general planning and surveying of the village council, thus resulting in reclassification from Property, Plant and Equipment to expenses in the Deficit
2. Vacant land available for sale was under recorded resulting in net adjustments to inventory to the value amounting to N\$52 362 105.28 for the year.
3. Reroute of transform line amounting to N\$ 129 268.16 was wrongly capitalized during 2022 financial year.

**Statement of financial position**

Property, plant and equipment	-	(2 984 899)
Investment in NORED	(129 268)	-
Opening Accumulated Surplus or Deficit	(52 232 837)	-

**Statement of Financial Performance**

General expenses	-	2 984 899
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**27. Going concern**

Management considered the following matters relating to the Going Concern:

- i) Strict daily cash management processes are embedded in the Village'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.

**27. Events after the reporting date**

No events having financial implications requiring disclosure occurred subsequent to the financial year end.

