REPUBLIC OF NAMIBIA




REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF LEONARDVILLE

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020, 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 Leonardville for the financial years ended 30 June 2020, 2021 and 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 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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REPORT OF THE AUDITOR - GENERAL ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF LEONARDVILLE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020, 2021 AND 2022

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Leonardville Village Council for the financial years ended 30 June 2020, 2021 and 2022 provided by the Chief Executive Officer as attached in Annexure A to E. These financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flow, notes to the financial statements and general information for the years ended 30 June 2020, 2021 and 2022.

In my opinion, because of the significance of matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly in all material respect, the financial position of the Village Council of Leonardville for the financial years ended 30 June 2020, 2021 and 2022, and its financial performance for the years then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE AUDIT OPINION

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. An adverse audit opinion is being expressed due to the following:

2.1 INCONSISTENT APPLICATION OF IPSAS

It was found that the Council did not comply with the Council's policy, as well as the IPSAS requirements for the non-current assets/property, plant and equipment (PPE) items as indicated below:

- The Council provided for road networks, which are classified as infrastructure for 15 years in the asset register instead of 20 years as per the Council's policy;
- Inspection by the auditors of prior years' annual financial statements indicates non compliance of IPSAS 3 for any changes in estimates, therefore, inconsistent with the Council's policy and IPSAS 3 requirements; which states that such errors require retrospective correction, including restating prior financial statements, recalculating depreciation, and adjusting accumulated depreciation and carrying amounts.

- According to IPSAS 17, assets should be grouped by similar nature or function. misclassifying assets like playgrounds, airstrips, aquaculture facilities, and windmills under land affects depreciation. However, the Council incorrectly classified playground and airstrip as land instead of infrastructure contrary to IPSAS 17 paragraph 52; which states that a class of property, plant, and equipment refers to a grouping of assets with a similar nature or function within an entity's operations. However, the assets currently classified under land such as playgrounds, airstrips, do not share a similar nature or function, which is inconsistent with this definition.
- The Council incorrectly classified aquaculture and wind mills as land instead of plant contrary to IPSAS 17 paragraph 52; which states that a class of property, plant, and equipment refers to a grouping of assets with a similar nature or function within an entity's operations. However, the assets currently classified under land such as, aquaculture facilities, and windmills do not share a similar nature or function, which is inconsistent with this definition; and
- The Council incorrectly classified cattle held for capital appreciation and growth as inventory. IPSAS 27 classify such items as biological assets, and should be carried at fair value in the books of Council.

2.2 COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS

The Council did not comply with the following International Public Sector Accounting Standards (IPSAS):
IPSAS 3 - Accounting policies, changes in accounting estimates and errors;
IPSAS 12 – Inventory;
IPSAS 17 - Property, Plant and Equipment;
IPSAS 27 - Biological assets; and
IPSAS 43 - Leases.

2.3 BANK RECONCILIATION

It was found that there is no segregation of duties maintained for bank reconciliations performed for the financial years ending 30 June 2020, 2021 and 2022.

2.4 CASH AND CASH EQUIVALENT BALANCE

The audit found that bank reconciliation balance for the current account at 30 June 2022 reflected an amount of N$ 101 294.95, however, the annual financial statements reflected a zero balance.

2.5 DEBTORS AGE ANALYSIS

The audit revealed variances amounting to N$ 62 656 (2022) and N$ 32 473 (2021), between the debtors reported in the annual financial statement and the debtor's age analysis respectively.

2.6 CLOSED DEBTORS ACCOUNTS

Eighty-four (84) debtor's accounts audited were closed, however, these accounts still had balances amounting to N$ 1 495 543.

2.7 DEBTORS AND ALLOWANCE FOR IMPAIRMENT

A comparison made between the closing balance of debtors on the age analysis (120+days) and the annual financial statements showed a difference of N$ 604 122, thus resulting in an understatement of the debt impairment allowance.

2.8 VALUE ADDED TAX

The audit found that there was no evidence of reviews performed on Value Added Tax (VAT) reconciliations for 30 June 2020, 2021 and 2022 financial years. In addition, the audit found differences of N$ 206 756 (2022) and N$ (21 495) (2021) between the VAT reconciliation and the VAT reported in the annual financial statements.

2.9 BIOLOGICAL ASSETS

The audit found that the livestock/biological asset count did not agree to the head statement from Office of the Veterinary. The head statement from the Office of the Veterinary indicated that the Council owns fifty- three (53) cattle. However, the auditors could only verify twenty-seven (27) cattle, resulting in a variance of twenty-six (26) unaccounted livestock.

2.10 DEPRECIATION EXPENSE

A comparison between the asset register and the annual financial statement, revealed differences in depreciation expense resulting in an understated amounting to N$ 162 209 (2022), N$ 90 892 (2021) and N$ 141 705 (2020) in the statement of financial performance.

2.11 ASSET REGISTER

The audit found a difference of N$ 59 996 between the asset register for information technology (IT) equipment acquired during 2021 financial year worth N$ 36 640, reported as N$ 96 636 and the notes to the annual financial statements.

2.12 PAYABLES UNDER EXCHANGE TRANSACTIONS

Comparison performed between the trade payable and the supplier statement revealed a variance thus resulting in an overstatement of N$ 274 355.46 for 2020 financial year.

2.13 REVENUE

The audit found that the Council did not update the notes for various revenue heads (i.e. rates and taxes, water, electricity, sewerage, and refuse) as per the gazetted rates in the Finstel accounting system for the financial years 2022, 2021 and 2020, which resulted in an understatement of revenue reported by the Council.

3. KEY AUDIT MATTERS

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

4. OTHER MATTERS

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

4.1 RISK MANAGEMENT POLICY

The Council does not have a risk management policy in place, thus the risks are not identified, assessed and monitored on a regular basis.

4.2 STRATEGIC AND ANNUAL PLAN

It was noted that the Council has both a strategic plan (2022-2027), and an annual plan in place to guide its activities and objectives. However, these plans are not consistently reviewed for progress towards achieving the outlined objectives.

4.3 HUMAN RESOURCE POLICIES

The Council's Human Resources (HR) policies on recruitment, training and development, skills retention, and staff monitoring and competency assessment are outdated or inadequate, and thus several potential financial impacts may arise, which could affect the Council's Annual Financial Statements.

4.4 IT INFRASTRUCTURE

It was observed that insufficient controls exist to prevent unauthorized access to the IT infrastructure of the Council. The Council also indicated that the IT server was stolen after the audit, thus further highlighting the weaknesses in the IT infrastructure security.

5. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial years ended 30 June 2022, 2021, and 2020 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act. 23 of 1992), except that they were only submitted on 11 May 2023 instead of three (3) months after the year end as required by the Act.

7. 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 legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

8. 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 free from material misstatement, whether due to fraud or error and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and 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 the audit 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 the audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

9. ACKNOWLEDGEMENTS

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

WINDHOEK, MARCH 2025

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

Key information and management

Nature of business and principal activities

The Village Council of Leonardville is a Local Authority whose nature of business and principal activities is to provide municipal services in terms of Section 30 of the Local Authorities Act, 1992 (Act 23 of 1992) as amended. These include land and development, water supply, sanitation and water management and public health services.

Councillors

	Name	Title	Nationality
1	Petra Salome Witbooi	Chairperson	Namibian
2	Helena Ganes	Deputy Chairperson	Namibian
3	Bernard Gariseb	Ordinary Member	Namibian
4	Ernst Gariseb	Ordinary Member	Namibian
5	Mariane Christof	Ordinary Member	Namibian

Executive and management

	Name	
1	Efraim Munee Dawids	Chief Executive Officer
2	Justus Awa-Eiseb	Accountant

Registered office	Leonardville Namibia	
Postal address	P O Box 56 Leonardville Namibia	
Contact details	Tel	062 569 115
	Fax	062 569 116
	Email	leonard@iway.na

The reports and statements set out below comprise the annual financial statements and notes to the annual financial statements presented format set out below:

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The Accounting Officer is required by the Local Authorities Act, 1992 (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 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 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 acknowledges that he is ultimately responsible for the system of internal financial control established by the Council and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, set 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 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 and notes to the annual financial statements set out in Annexures A - E, which have been prepared on the going concern basis, were approved on 5 May 2023 and were signed by:

EFRAIM MUNEE DAWIDS
CHIEF EXECUTIVE OFFICER

ANNEXURE A

VILLAGE COUNCIL OF LEONARDVILLE
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2022	2021	2020
		N$	N$	N$
ASSETS				
NON-CURRENT ASSETS				
Property plant and equipment	19	32 760 085	32 053 531	31 584 309
Loans receivable	17	1 030 609	587 790	550 358
		33 790 694	**32 641 321**	**32 134 667**
CURRENT ASSETS				
Cash and cash equivalents	14	70 039	589 957	1 117 558
Consumer debtors	15	1 197 257	1 009 301	1 534 105
VAT receivable	16	1 660 403	1 181 803	758 921
Inventories	18	170 000	150 000	100 066
		3 097 699	**2 931 061**	**3 510 650**
TOTAL ASSETS		**36 888 393**	**35 572 382**	**35 645 317**
EQUITY AND LIABILITIES				
EQUITY (NET ASSETS)				
Statutory funds		1 334 078	1 308 471	1 266 687
Accumulated surplus		24 275 315	25 060 930	25 972 503
NET ASSETS		**25 609 393**	**26 369 401**	**27 239 190**
NON-CURRENT LIABILITIES		**146 050**	**175 118**	**182 178**
Finance lease obligation	21	35 095	35 095	-
Other financial liabilities	22	110 955	140 023	182 178
		146 050	**175 118**	**182 178**
CURRENT LIABILITIES				
Payables from exchange transactions	20	10 056 073	8 007 445	7 275 012
Bank overdraft	14	27 719	-	-
Finance lease obligation		-	12 931	-
Other financial liabilities	22	1 049 158	1 007 487	948 937
		11 132 950	**9 027 863**	**8 223 949**
TOTAL LIABILITIES		**11 279 000**	**9 202 981**	**8 406 127**
TOTAL EQUITY AND LIABILITIES		**36 888 393**	**35 572 382**	**35 645 317**

ANNEXURE B

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

	Note	2022	2021	2020
		N$	N$	N$
REVENUE FROM EXCHANGE TRANSACTIONS		**4 252 108**	**3 901 446**	**3 867 066**
Sale of erven		-	-	12 000
Service charges	4	1 935 858	1 881 527	1 863 919
Rental of facilities and equipment usage	5	162 417	137 293	112 091
Other revenue	6	1 874 694	1 510 165	1 564 990
Interest earned on outstanding debtors		279 139	372 461	314 066
REVENUE FROM NON-EXCHANGE TRANSACTIONS		**5 489 110**	**4 640 840**	**3 491 773**
Rates and taxes	2	248 859	243 246	246 066
Transfers from Government and related entities	3	5 240 251	4 397 594	3 245 707
TOTAL INCOME		**9 741 218**	**8 542 286**	**7 358 839**
EXPENDITURE				
Bulk purchases	7	3 443 159	2 866 418	2 803 246
Employee costs	8	2 682 513	2 826 055	3 011 796
Remuneration of councillors	9	191 056	191 056	195 556
Depreciation and amortisation expense	10	1 672 804	1 625 153	1 465 827
Repairs and maintenance		145 813	330 522	150 303
Debt impairment	11	889 304	635 930	549 072
General expenses	12	1 350 200	978 939	1 194 324
Interest paid	13	15 871	20 626	335 468
TOTAL EXPENDITURE		**10 390 720**	**9 474 699**	**9 705 592**
Deficit before taxation		-	932 413	2 346 753
Deficit for the year		**(649 502)**	**(932 413)**	**(2 346 753)**

ANNEXURE C

VILLAGE COUNCIL OF LEONARDVILLE
STATEMENT OF CHANGES IN NET ASSETS

	Housing Funds	Accumulated surplus	Total net assets/equity
	N$	N$	N$
Balance at 01 July 2019 as restated	**1 589 751**	**28 319 256**	**29 909 007**
Changes in net assets/equity direct adjustments to net assets	(323 064)	-	(323 064)
Net income (losses) recognised directly in net assets	(323 064)	-	(323 064)
Surplus for the year	-	(2 346 753)	(2 346 753)
Total recognised income and expenses for the year	(323 064)	(2 346 753)	(2 669 817)
Total changes	**(323 064)**	**(2 346 753)**	**(2 669 817)**
Balance at 1 July 2020	**1 266 687**	**25 972 503**	**27 239 190**
Prior year adjustments	-	20 840	20 840
Balance at 1 July 2020 as restated	**1 266 687**	**25 993 343**	**27 260 030**
Changes in net assets/equity			
Direct adjustments to net assets	41 784	-	41 784
Net income/(losses) recognised directly in net assets	41 784	-	41 784
Surplus/(deficit) for the year	-	(932 413)	(932 413)
Total net surplus/(deficit) for the period	41 784	(932 413)	(890 629)
Total changes	**41 784**	**(932 413)**	**(890 629)**
Opening balance as previously reported	**1 308 471**	**25 060 929**	**26 369 400**
Prior year adjustments	-	(136 112)	(136 112)
Balance at 1 July 2021 as restated	**1 308 471**	**24 924 817**	**26 233 288**
Changes in net assets/equity			
Direct adjustments to net assets	25 607	-	25 607
Net income (losses) recognised directly in net assets	25 607	-	25 607
Surplus/(deficit) for the year	-	(649 502)	(649 502)
Total recognised income and expenses for the year	**25 607**	**(649 502)**	**(623 895)**
Total changes	**25 607**	**(649 502)**	**(623 895)**
Balance at 30 June 2022	**1 334 078**	**24 275 315**	**25 609 393**

ANNEXURE D

VILLAGE COUNCIL OF LEONARDVILLE
CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Note	2022	2021	2020
		N$	N$	N$
Cash flows from operating activities				
Deficit		(649 502)	(932 413)	(2 346 753)
Adjustments for:				
Depreciation and amortisation expense		1 672 804	1 625 153	1 465 827
Finance costs - Finance leases		3 269	4 230	-
Debt impairment		889 304	635 930	549 072
Direct adjustments to net assets and prior year errors (cash portion)		(110 508)	62 626	431 856
Changes in working capital:				
Inventories		(20 000)	(49 934)	21 934
Consumer debtors		(1 077 260)	(111 126)	(1 082 285)
Payables under exchange transactions		2 048 632	732 430	2 501 237
VAT		(478 600)	(422 882)	(83 314)
Net cash flows from operating activities		**2 278 139**	**1 544 014**	**1 457 574**
Cash flows from investing activities				
Purchase of property, plant and equipment	19	(2 379 360)	(2 094 373)	(704 743)
Decrease / (Increase) in Long-term receivables		(442 819)	(37 432)	3 450
Net cash flows from investing activities		**(2 822 179)**	**(2 131 805)**	**(701 293)**
Cash flows from financing activities				
Repayment of loans		12 603	16 395	(598 501)
Finance lease payments		(16 200)	(16 200)	-
Proceeds from finance leases		-	59 995	-
Net cash flows from financing activities		**(3 597)**	**60 190**	**(598 501)**
Net increase/(decrease) in cash and cash equivalents		**(547 637)**	**(527 601)**	**157 780**
Cash and cash equivalents at the beginning of the year		589 957	1 117 558	959 778
Cash and cash equivalents at the end of the year	14	**42 320**	**589 957**	**1 117 558**

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022, 2021 AND 2020

1. ACCOUNTING POLICIES AND PRINCIPLES

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 the Auditor - General in accordance with Section 87 (1) of the Local Authorities, 1992 (Act 23 of 1992) as amended. The Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2018, having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General.

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.

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

Transitional exemptions and provisions
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 until 30 June 2022. As a result, the Council could 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.

As Leonardville Village Council adopted accrual basis IPSAS's for the first time at 1 July 2018 and is making use of some of the transitional provisions for the 2021/2022 financial year. Details of the progress in adopting accrual basis IPSAS's are provided below.

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

- IPSAS 12: Inventories
- IPSAS 16: Investment property
- IPSAS 17: Property, plant and equipment
- IPSAS 19: Provisions, contingent liabilities and contingent assets
- IPSAS 24: Presentation of budget information in the financial statements
- IPSAS 31: Intangible assets
- IPSAS 36: Investments in associates and joint ventures
- IPSAS 37: Joint arrangements

Transitional exemptions utilised that do affect fair presentation (continued)
- IPSAS 38: Disclosure of interests in other entities

Transitional exemptions utilized that do not affect fair presentation
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of cash generating assets

IPSAS's adopted in full
The following IPSAS standards have been considered and, where applicable, applied in full:
- IPSAS 1: Presentation of financial statements
- IPSAS 2: Cash flow statements
- IPSAS 5: Borrowing costs
- IPSAS 9: Revenue from exchange transactions
- IPSAS 11: Construction contracts
- IPSAS 13: Leases
- IPSAS 20: Related party disclosures
- IPSAS 22: Disclosure of information about the general Government sector
- IPSAS 23: Revenue from non-exchange transactions (taxes and transfers)
- IPSAS 25: Employee benefits
- IPSAS 28: Financial instruments: presentation
- IPSAS 29: Financial instruments: recognition and measurement
- IPSAS 30: Financial instruments: disclosure
- IPSAS 32: Service concession arrangements: grantor

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 judgements and estimates.

1.1 Significant judgements 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 judgement 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 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 judgements 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:

Impairment of financial assets

Accounting policy 1.10 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 judgement to select a variety of methods and make assumtions 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.

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, 1.6 1.5, the Council depreciates its property, plant & 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 judgement 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 1.8 on impairment of assets, accounting policy 1.5 on intangible assets – subsequent measurement, amortisation and impairment and accounting policy 1.11 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 judgements 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 judgement, 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 notes 18, 19, and notes 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 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 rate payers 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 summonses.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The Council uses estimates to determine the 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 the entity, and the fair value of the assets can be measured reliably.

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.

Services 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 electricity and 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 meters 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.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have impovements.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.

Interest, royalties and dividends
Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Prepaid electricity
Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the prepaid sales are recognised based on an estimate of the prepaid service consumed as at the reporting date.

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

1.4 Property, plant and equipment

Transitional provisions
The Village Council has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 17, which allows three (3) years for the recognition and/or measurement of property, plant and equipment. It is therefore possible that some items of property, plant and equipment have not been recognised and/or measured in accordance with IPSAS 17. The Village Council is in the process of recognising and/or measuring all its property, plant and equipment for inclusion in future annual financial statements.

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:

Item	Average useful life
Buildings and plant	20
Motor vehicles	5
Machinery	5
Infrastructure	20
Office equipment	5
Other	4
Computer equipment	5
Office furniture and fittings	5

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 for use.

Derecognition
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 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 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.

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 recognised in the carrying value of the asset, but directly recognised in surplus or deficit and measured at cost.

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 Investment property

Initial recognition
At initial recognition, the Council measures investment property at cost. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and maintenance are expenses incurred through servicing 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.

Subsequent measurement
Investment property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 10 - 80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is recognised in surplus or deficit.

Derecognition
The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

1.7 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.

1.7.1 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.

Operating leases

The Council recognises 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.

1.7.2 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 invesment 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 Council's net investment outstanding 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.

1.8 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.

1.8 Impairment of cash-generating assets (continued)

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.

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 prorate 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.

1.9 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.

1.9 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 pro-rata 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.

1.10 Financial instruments

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 setoff 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.

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; and
- 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:

Class Category

Trade receivables from non - exchange transactionsFinancial asset measured at amortised cost
Trade receivables from exchange transactionsFinancial asset measured at amortised cost
Value added tax receivableFinancial asset measured at amortised cost
Other receivablesFinancial asset measured at amortised cost
Cash and cash equivalentsFinancial asset measured at fair value

Trade and other receivables (excluding value added taxation, prepayments and operating lease receivables), loans to Council 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:

Class	**Category**
Trade payables non - exchnage transactions	Financial liability measured at amortised cost
Trade payables exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Long term loans	Financial liability measured at amortised 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 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.

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 in solvency 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 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 amortised cost with the excepion 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.

Derecognition

Financial assets

The Council derecognises 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 recognises 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 recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Council derecognises financial liabilities when, and only when, the Council's obligations are discharged, cancelled or they expire.

The Council recognises 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.

1.11 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 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 when the Council purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the 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 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.

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.

1.12 Provisions and contingencies

The best estimate of the 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 and are determined 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.

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.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity 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 recognises 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

The Council provides retirement benefits for its employees. These are all defined contribution post-employment plans.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a 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.

1.14 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.

1.15 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 of the Council, Management Committee

Members, Council Members, Chief Executive Officer and all other Senior Management Officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

1.16 Budget information

The annual budget figures have been prepared in accordance with the IPSAS's and are consistent with the accounting policies adopted by the Council for the preparation of these annual financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over-or under spending on line items. The annual budget figures included in the annual financial statements are for the Council and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation.

1.16 Budget information (continued)

The approved budget covers the period from 1 July 2019 to 30 June 2020, 1 July 2020 to 30 June 2021 and 1 July 2021 to 30 June 2022.

1.17 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.18 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

1.19 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.

1.20 Net assets

Statutory fund

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992). The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund.

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

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

Accumulated surplus

The accumulated surplus contains accumulated surpluses, after appropriations to and from statutory funds.

1.21 Grants-in-aid

The Council transfers money to individuals, organisations and there 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.

1.22 Value added tax

The Council accounts for value added tax in accordance with Section 18 of the Value-Added Tax Act, 2000 (Act 10 of 2000).

1.23 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.

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
2. Property rates			
Rates received			
Property rates and taxes	**248 859**	**243 246**	**246 066**
3. Transfer from government and related parties			
Operating grants			
Road Fund Administration	643 257	-	815 014
Government grant	2 314 956	2 308 281	2 430 693
	2 958 213	**2 308 281**	**3 245 707**
Capital grants			
GRN - Development capital	2 282 038	2 089 313	-
	2 282 038	2 089 313	-
	5 240 251	**4 397 594**	**3 245 707**
4. Service Charges			
Sale of electricity	1 040 927	980 847	988 367
Sale of water	652 706	715 616	770 717
Sewerage and sanitation charges	254 204	227 605	228 099
Other service charges	(11 979)	(42 541)	(123 264)
	1 935 858	**1 881 527**	**1 863 919**

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.

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
5. Rental of facilities and equipment			
Premises	162 417	137 29	112 091

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

6. Other income	**N$**	**N$**	**N$**
Cleansing services	294 327	271 018	251 550
Sales of businesses	1 502 823	1 076 765	1 115 954
Emergency services	26 875	26 941	26 162
Sundry income	31 060	119 997	153 469
Burial fees	4 478	783	609
Water connection fees	7 296	6 965	4 768
Electricity connection fees	7 835	7 696	12 478
	1 874 694	**1 510 165**	**1 564 990**
7. Bulk purchases			
Bulk purchases (electricity & water)	**3 443 159**	**2 866 418**	**2 803 246**

Bulk purchases are the cost of commodities not generated by the Council which the Council distributes in the Council area for resale to the consumers. Bulk water is purchased from Nampower and NamWater.

8. Employee related costs			
Basic salary	1 293 951	1 332 728	1 394 410
Bonus	99 370	100 607	94 848
Medical aid company contributions	452 925	367 542	442 752
Social Security	9 328	8 737	10 089
Workmen's Compensation Act (WCA)	-	17 959	13 144
Leave pay provision charge	-	41 364	227 907
Defined contribution plans	258 759	250 471	240 476
Travel motor car accommodation subsistence and other allowances	12 698	117 768	4 936

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
Overtime payments	473	6 591	186 900
Transport allowance	200 754	184 332	3 852
Car allowance	7 704	7 704	344 848
Housing benefits and allowances	297 319	330 929	47 634
Other allowances	49 232	59 323	1 394 410
	2 682 513	**2 826 055**	**3 011 796**
Chief Executive Officer			
Annual remuneration	194 785	194 785	194 785
13th Cheque	16 232	16 232	16 232
Contributions to Unemployment Insurance Fund (UIF) Medical and Pension Funds	210 446	210 446	210 446
Other	181 630	181 630	181 630
	603 093	**603 093**	**603 093**
Other Executives			
Annual remuneration	410 408	410 408	410 408
13th Cheque	50 433	50 433	50 433
Contributions to UIF Medical and Pension Funds	444 335	444 335	444 335
Other	87 842	87 842	87 842
	993 018	**993 018**	**993 018**
9. Remuneration of Councilors			
Chairperson	45 746	45 746	45 746
Vice Chairperson	40 364	40 364	40 364
Ordinary Councillors	104 946	104 946	109 447
	191 056	**191 056**	**195 557**
10. Depreciation and amortization expense			
Property plant and equipment	**1 672 804**	**1 625 153**	**1 465 827**
11. Debt impairment			
Contributions to debt impairment provision	**889 304**	**635 930**	-

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
12. General expenses			
Advertising	-	2 016	-
Bank charges	49 119	45 437	49 048
Catering & Entertainment cost	25 261	18 997	31 620
Cleaning	33 030	7 218	12 816
Commission paid	24 281	9 286	-
Consulting and professional fees	43 509	67 471	73 126
Mayoral fund expenses	3 895	-	-
Fuel and oil	188 259	112 787	190 205
Regional Council levy	12 443	12 162	12 303
Insurance	109 728	158 282	125 839
Membership fees	19 100	27 500	13 500
Materials and stores	-	128 549	-
Motor vehicle expenses	4 104	5 192	5 100
Other expenses	293 931	229 930	110 714
Postage courier and telephone	1 775	6 117	5 932
Printing and stationery	43 703	46 772	43 402
Consumables	19 855	9 586	9 971
Biological fair value adjustment	(20 000)	(56 934)	-
Service connections	-	-	90 529
Telephone and fax	42 902	31 424	31 030
Training	21 435	20 997	20 350
Travel - local	121 474	1 650	115 374
Valuation charges	312 396	94 500	253 465
	1 350 200	**978 939**	**1 194 324**
13. Interest paid			
Finance leases	3 269	4 230	313 351
Other interest paid	12 602	16 396	22 117

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
	15 871	**20 626**	**335 468**
14. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Cash on hand	-	-	76
Bank balances	-	101 395	98 031
Short-term deposits	70 039	488 562	1 019 451
Bank overdraft	(27 719)	-	-
	42 320	**589 957**	**1 117 558**
Current assets	70 039	589 957	1 117 558
Current liabilities	(27 719)	-	-
	42 320	**589 957**	**1 117 558**

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 (when applicable).

No other restrictions have been imposed on the municipality in terms of the utilization of its cash and cash equivalents.

Short term deposits consist of Call Deposits and Fixed deposits: Call and Notice Deposits

VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
15. Consumer debtors			
Gross balances			
Services and taxes	8 856 859	7 779 599	7 668 473
Less: Allowance for impairment			
Services and taxes	(7 659 602)	(6 770 298)	(6 134 368)
Net balance			
Services and taxes	**1 197 257**	**1 009 301**	**1 534 105**
Reconciliation of allowance for impairment			
Balance at beginning of the year	(6 770 298)	(6 134 368)	(5 585 296)
Contributions to allowance	(889 304)	(635 930)	(549 072)
	(7 659 602)	(6 770 298)	(6 134 368)
16. VAT receivable	**1 660 403**	**1 181 803**	**758 921**

VAT is payable in terms of Section 7 of the Value-Added Tax Act, 2000 (Act 10 of 2000). VAT is payable/receivable on receipt of an invoice or payment whichever is the earlier.

No interest is payable to the Commissioner of 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 Council has financial risk policies in place to ensure that payments are affected before the due date.

	2022	2021	2020
17. Housing loan receivables			
Total receivables from exchange transactions			
Long term receivables	**1 030 609**	**587 790**	-

The long term receivables are composed of the following:

DEVELOPMENT AND HOUSING

Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at an interest rate of 4.00% per annum repayable over a maximum period of 20 years. However, there are on-going old contracts for both housing schemes that were granted over a period of 340 months. However there are on-going old contracts for both housing schemes that were granted over a period of 340 months.

SALE OF STANDS

Stands in low income are as are sold on an instalment basis at an interest rate of 0% to 15.00% per annum. The loans are repayable over a period of 5 to 8 years depending on the stipulations of the contract.

Council does not hold deposits or any other security for its long-term receivables.

18. Inventories

	2022	2021	2020
	N$	N$	N$
Cattle	170 000	150 000	100 066

Inventories are held for own use and measured at the lower of cost and current replacement cost while those held for resale are measured lower of cost and net realisable value.

No write downs of inventory to net realisable value were required.

No inventories have been pledged as as collateral for liabilities of the town Council.

19. Property plant and equipment

Class of PPE	2022			2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N$	N$	N$	N$	N$	N$	N$	N$	N$
Land	1 099 562	(211 666)	887 896	1 099 562	(159 436)	940 126	1 099 562	(107 207)	992 355
Buildings	8 299 772	-	8 299 772	8 299 772	-	8 299 772	8 299 772	-	8 299 772
Furniture and fixtures	519 679	(353 382)	166 297	519 679	(270 233)	249 446	519 679	(187 085)	332 594
Motor vehicles	1 143 729	(803 479)	340 250	1 143 729	(633 353)	510 376	1 143 729	(463 228)	680 501
Office equipment	179 170	(120 018)	59 152	179 170	(91 091)	88 079	179 170	(62 165)	117 005
IT equipment	258 370	(140 306)	118 064	258 370	(95 101)	163 269	161 735	(58 225)	103 510
Infrastructure	26 948 184	(4 668 905)	22 279 279	24 568 824	(3 411 582)	21 157 242	22 571 087	(2 193 581)	20 377 506
Community	754 644	(145 269)	609 375	754 644	(109 423)	645 221	754 644	(73 578)	681 066
Total	**39 203 110**	**(6 443 025)**	**32 760 085**	**36 823 750**	**(4 770 219)**	**32 053 531**	**34 729 378**	**(3 145 069)**	**31 584 309**

19. Property plant and equipment (continued)

Reconciliation of property plant and equipment – 2022

	Opening balance	Additions	Depreciation	Total
	N$	N$	N$	N$
Land	940 126	-	(52 230)	887 896
Buildings	8 299 772	-	-	8 299 772
Furniture and fixtures	249 446	-	(83 149)	166 297
Motor vehicles	510 376	-	(170 126)	340 250
Office equipment	88 079	-	(28 927)	59 152
IT equipment	163 269	-	(45 205)	118 064
Infrastructure	21 157 242	2 379 360	(1 257 323)	22 279 279
Community	645 221	-	(35 846)	609 375
	32 053 531	2 379 360	(1 672 806)	32 760 085

Reconciliation of property plant and equipment – 2021

	Opening balance	Additions	Depreciation	Total
	N$	**N$**	**N$**	**N$**
Land	992 355	-	(52 229)	940 126
Buildings	8 299 772	-	-	8 299 772
Furniture and fixtures	332 594	-	(83 148)	249 446
Motor vehicles	680 501	-	(170 125)	510 376
Office equipment	117 005	-	(28 926)	88 079
IT equipment	103 510	96 636	(36 877)	163 269
Capital Infrastructure	20 377 506	1 997 737	(1 218 001)	21 157 242
Community	681 066	-	(35 845)	645 221
	31 584 309	**2 094 373**	**(1 625 151)**	**32 053 531**

19. Property plant and equipment (continued)

Reconciliation of property plant and equipment – 2020

	Opening balance	**Additions**	**Depreciation**	**Total**
	N$	N$	N$	N$
Land	1 044 584	-	(52 229)	992 355
Buildings	8 299 772	-	-	8 299 772
Furniture and fixtures	415 743	-	(83 149)	332 594
Motor vehicles	850 626	-	(170 125)	680 501
Office equipment	138 143	6 491	(27 629)	117 005
IT equipment	129 388	-	(25 878)	103 510
Infrastructure	20 750 226	698 252	(1 070 972)	20 377 506
Community	716 912	-	(35 846)	681 066
	32 345 394	**704 743**	**(1 465 828)**	**31 584 309**

LEONARDVILLE VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2022	2021	2020
	N$	N$	N$
20. Payable under exchange transactions			
Trade payables	9 669 504	7 633 319	6 888 981
Accrued leave pay	353 600	353 600	353 600
Deposits received	8 364	8 364	8 204
Council levy due	24 605	12 162	24 227
	10 056 073	**8 007 445**	**7 275 012**

Staff Leave:

Leave accrues to the staff of the Council on an annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

	2022	2021	2020
21. Finance lease obligation			
Minimum lease payments due			
- within one year	16 200	16 200	-
- in second to fifth year inclusive	22 950	39 150	-
	39 150	55 350	-
less: future finance charges	(4 056)	(7 324)	-
Present value of minimum lease payments	**35 094**	**48 026**	-
Present value of minimum lease payments due			
- within one year	13 969	12 931	-
- in second to fifth year inclusive	21 125	35 095	-
	35 094	**48 026**	-
Non-current liabilities	35 095	35 095	-
Current liabilities	-	12 931	-
	35 095	**48 026**	-

Finance lease liabilities relate to canon with lease terms of 4 (2021:5) years. The effective interest rate on finance leases is 7.75% (2021: 7.75%). The printer will remain the property of lessor at the end of the lease term.

LEONARDVILLE VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

Interest rates are floating rates linked to the prime lending rate of the financial institutions thereby constituting contingent rentals. Straight-lining of payments can therefore not be done in terms of IPSAS 13. The risks and rewards of ownership in respect of the property plant and equipment will not transfer to the Council at the conclusion of the agreement.

22. Long term loans	**2022**	**2021**	**2020**
	N$	N$	N$
At amortised cost			
Government loans	1 160 113	1 147 510	1 131 115
Non-current liabilities			
At amortised cost	110 955	140 023	182 178
Current liabilities			
At amortised cost	**1 049 158**	**1 007 487**	**948 937**

23. Related parties
All related party transactions are conducted at arm's length unless stated otherwise.

Related party balances:

Amounts included in Trade receivable (Trade Payable) regarding related parties	**2022**	**2021**	**2020**
	N$	N$	N$
Efraim Dawids	1 538	858	-
Justus Awa-Eiseb	7 595	765	-
Petra S. Witbooi	1 605	-	-
Helena Ganes	1 772	1 426	-
Benhard Gariseb	9 138	7 458	-
Marianna Christof	1 781	611	-
Erenst Gariseb	22 714	25 723	-

The services rendered to or received from related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councilors the Chief Executive Officer and Other Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Remuneration of management

Loans granted to Related Parties

The Council does not grant loans to its Councilors and staff.

Compensation of Related Parties

Compensation of key management personnel and Councilors is set out in Notes 8 & 9 to the annual financial statements.

Purchases from Related Parties

The Council did not buy goods from any companies which can be considered to be related parties.

24. 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.

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

25. Events after the reporting date

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