



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE LAND ACQUISITION AND DEVELOPMENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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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 Land Acquisition and Development Fund for the financial year ended 31 March 2016, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

WINDHOEK, November 2017

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
LAND ACQUISITION AND DEVELOPMENT FUND
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Land Acquisition and Development Fund for the financial year ended 31 March 2016 are being reported on in accordance with provisions set out in section 13D(3) of the Agricultural (Commercial) Land Reform Act, 2000 (Act 16 of 2000).

The firm BDO Namibia Chartered Accountants of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Land Acquisition and Development Fund on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded to the nearest Namibia Dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Land Acquisition and Development Fund for the financial year ended 31 March 2016. These financial statements comprise the following.

Annexure A: Balance sheet;
Annexure B: Income statement; and
Annexure C: Notes to financial statements

The financial statements for the year ended 31 March 2016 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 13D(3), of the Agricultural (Commercial) Land Reform Act, 2000 (Act 16 of 2000).

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A -C.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with section 13D (2) of the Act, 2000 (Act 16 of 2000) and relevant 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.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b) (iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Land Acquisition and Development Fund during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 Farm purchases

Auditors could not verify the occurrence, accuracy and completeness of the farm purchases valued at N\$ 181 095 878 as the Fund did not submit the deeds of sale documents for audit purpose. It was further observed that cut-off procedures for farm purchases were not implemented correctly. The ownership of the remainder of the farm Renette No. 232, Khomas Region, was transferred on 31/03/2015 but it is included in the listing of farm purchases for the 2015/2016 financial period. Farms Portion 1 of the farm Wildkuhl No. 972; Otjozondjupa Region; transferred on 30/03/2016 and Portion 1 (Pompie) of the farm Donas No. 70; //Kharas Region; transferred on 31/03/2016 were not included in the farm purchases listing for the 2015/2016 financial period.

Recommendation

It is recommended that the deeds of sale contracts for farms purchased should be filed properly and safeguarded and be available for future reference when requested.

It is further recommended that farms purchased should be included in the farm purchases list and accounting records of the financial year in which lodgement and payment of the farms are made to ensure accurate cut-off application on farm purchases.

5.2 Unrecorded liabilities

Liabilities amounting to N\$ 39 290 848 were not recorded during the year under review as a result accounts payable is materially understated the same amount.

Recommendation

It is recommended that the Fund should record accounts payables in the period in which they accrue and not in the period in which the debt is settled in accordance with accrual accounting.

5.3 Non- Submission of supporting documents

Auditors could not verify the completeness of farm rentals and the related receivables amounting to N\$ 26 303 as due to non-submission of supporting documents.

Recommendation

It is recommended that the Fund should properly file and safeguard all supporting documents and provide for audit purpose.

5.4 Wrong Classification of farm development expenditure

Farm development expenditure amounting to N\$ 50 324 816 were expensed as a result overheads were materially overstated and farm purchases understated by this amount.

Recommendation

It is recommended that the Fund should correctly classify its transactions to give a true and fair view of the financial position of the Fund.

5.5 Opening balances and data migration, Journals preparation and authorisation

The opening balances could not be traced to the general ledger for the period under review, due to a system change from Pastel Express to Sage Pastel Evolution.

There is no segregation of duties on the processing of journals as the accountant initiate and authorise the journals. The controls over journal posting and authorisation were not effective during the period under review.

Recommendation

It is recommended that the Fund should have ensured that data migration from Pastel Express to Sage Pastel Evolution was accurately implemented and opening balances were adequately reviewed.

It is further recommended that the Fund should implement controls over the initiation, posting and authorisation of journals.

5.6 Ownership of farms acquired by the fund

The farms purchased by the Land Acquisition and Development Fund are registered in the name of the Government of Namibia. It is unclear as to whether it belongs to the Ministry of Land Reform or the Fund. This has a significant effect on the accounting treatment of the farm purchases. The annual financial statements have been prepared on the assumption that these farms do not belong to the Fund.

Recommendation

It is recommended that the Fund should obtain a written legal opinion from the Attorney General concerning which entity owns the farms purchased by the Fund. This will have an effect on the accounting treatment of the farms purchased. If the Fund is the rightful owner of the farms, they will then be able to capitalise all farms purchased since the inception of the Fund.

5.7 Accounting treatment of the revolving fund

There is a difference of N\$ 18 695 532 between the bank balances of the revolving fund and the amount in the general ledger of the Fund. The difference is a result of the incorrect accounting treatment of the revolving fund. Management have accounted for this balance at historic cost instead of the actual bank balances.

Recommendation

It is recommended that the Fund should account for advances as payments in their records and payments from the revolving fund's beneficiaries as income in their books.

5.8 Eligibility to register for value added tax (VAT)

The Fund is not registered for VAT, thus not benefiting from the ability to claim input tax on purchased vatable supplies. There is no written correspondence or confirmation from the responsible authorities which clearly indicate that the Fund is not eligible to register for VAT.

Recommendation

It is recommended that the Fund should obtain written representations from the Ministry of Finance with regards to their eligibility to register for VAT.

5.9 Non-submission of supporting minutes

Management did not provide the minutes or documentation for meeting cancellations or postponement of the Finance Committee's meetings for the following months: January 2016, February 2016, March 2016, May 2016, July 2016 and December 2016.

Recommendation

It is recommended that the Fund should ensure that all Finance Committee meetings' minutes and correspondence regarding to cancellations and postponements of meetings are filed, securely kept, and availed for audit purposes.

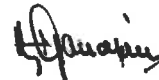
6. BASIS FOR DISCLAIMER OF AUDIT OPINION

- Non-submission of documents amounting to N\$ 181 095 878;
- Unrecorded liabilities valued at N\$ 39 290 848;
- Unconfirmed revenue from farm rentals and related receivables;
- Wrong Classification of farm development expenditure amounting to N\$ 50 324 816;
- Unconfirmed opening balances;
- Uncertainty on ownership of farms acquired by the fund;
- Wrong accounting treatment of the revolving fund;
- Eligibility to register for value added tax (VAT); and
- Non-submission of records.

7. DISCLAIMER AUDIT OPINION

The accounts of the Land Acquisition and Development Fund for the financial year ended 31 March 2016, summarized in Annexure A-C were audited by me in terms of provisions set out in section 13D (3) of the Agricultural (Commercial) Land Reform Act, 2000 (Act 16 of 2000).

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements



WINDHOEK, November 2017

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

**LAND ACQUISITION AND DEVELOPMENT FUND
BALANCE SHEET AS AT 31 MARCH**

	Note	2016	2015
		N\$	N\$
ASSETS			
Non-Current Assets			
		574 364	5 346 000
Property, plant and equipment	5	212 500	-
Loan: Ministry of Lands and Resettlement	6	361 864	5 346 000
Current Assets			
		126 609 152	173 639 018
PSSF (Post settlement support fund) Revolving Credit	7	30 000 000	30 000 000
Trade Receivables	8	24 838 546	9 958 444
Cash and Cash Equivalents	9	71 770 606	133 680 574
TOTAL ASSETS		127 183 516	178 985 018
EQUITY AND LIABILITIES			
Retained Funds	10	125 555 802	178 985 019
Trade Payables	11	1 627 714	-
TOTAL FUNDS AND LIABILITIES		127 183 516	178 985 019

ANNEXURE B

**LAND ACQUISITION AND DEVELOPMENT FUND
INCOME STATEMENT FOR THE YEAR ENDED**

	Note	2016 N\$	2015 N\$
REVENUE		451 768 293	395 195 752
Government Grants	2	405 408 489	370 000 000
Land Tax Income	3	24 821 779	9 961 016
Other Income	4	21 538 025	15 234 736
FARM PURCHASES		414 998 376	243 947 955
GROSS (DEFICIT)/SURPLUS		36 769 917	151 247 797
EXPENDITURE		90 199 134	43 931 501
Office Expenses	12	13 822 519	6 242 335
Land Expenses	13	6 932 503	2 179 089
Infrastructure Costs	14	48 929 169	24 232 787
Travelling and accomodation	15	1 520 357	4 268 862
Farm Related Expenses	16	11 624 875	6 842 922
Personnel Expenses	17	1 256 043	155 496
Training Expenses	18	94 546	10 010
VAT Expenses		6 019 122	-
Net (Deficit) / Surplus		(53 429 217)	107 316 296

**LAND ACQUISITION AND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENT AS AT 31 MARCH 2016**

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies set out below.

These policies comply with Namibian statements of generally accepted accounting practice.

2. GOVERNMENT GRANTS

The Fund received N\$ 405 408 489 (2016) and N\$ 370 000 0000 (2015) in respect of annual government grants.

3. LAND TAX INCOME

Income is received from taxes levied on all commercial farms. The charged rates are 0.75% and 1.75% of unimproved site per hectare depending on ownership, that is local or foreign and that the rates increase by 0.25 per each additional farm owned.

	2016	2015
	N\$	N\$
4. OTHER INCOME	21 538 025	15 234 736
Bank Windhoek- Current	2 234 450	890 997
Bank Windhoek- Call	3 966 419	5 515 175
Sales of farm - Ministry of Environment and Tourism	-	8 519 800
Ministry of Safety and Security	14 511 139	-
Lease Rental from Farms	669 078	291 586
Sundry income	156 939	17 178
5. PROPERTY, PLANT AND EQUIPMENT	212 500	-
Computer Equipment -Cost	212 500	-
6. LOAN: MINISTRY OF LANDS AND RESETTLEMENT	361 864	5 346 000

The funds were used to finance part of the construction cost for the Ministry of Land Reform office complex.

The loan is non- interest bearing and has no specific repayment terms.

LAND ACQUISITION AND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENT AS AT 31 MARCH (Continued)

	2016	2015
	N\$	N\$
7 PSSF- REVOLVING CREDIT		
Agribank of Namibia Ltd	30 000 000	30 000 000
8 TRADE RECEIVABLES		
Trade Receivables	24 821 779	9 958 444
S & T Advance	16 767	-
	24 838 546	9 958 444
9 CASH AND CASH EQUIVALENTS		
Bank Windhoek- Current	67 191 116	56 758 152
Bank Windhoek- Call	4 579 490	76 922 422
	71 770 606	133 680 574
10 RETAINED SURPLUS		
Opening Balance	178 985 019	71 668 723
(Deficit) / Surplus for the period	(53 429 217)	107 316 296
Balance at end of period	125 555 802	178 985 019
11 TRADE PAYABLES		
Trade Payables	1 627 714	-

LAND ACQUISITION AND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENT AS AT 31 MARCH (Continued)

	2016	2015
	N\$	N\$
12 OFFICE EXPENSES	13 822 519	6 242 335
Advertising & Promotions	817 204	300 911
Bank charges	154 683	74 035
Bed Levy	1 082	-
Catering expenses	377 909	157 268
Computer expenses	11 179	42 964
Conference Hire	10 675	-
Deeds Remuneration	6 374	-
ECB Levy	464	-
Equipment Land Purchases	35 785	-
Erecting Sign Boards	5 357	-
Printing and stationery	162 084	495 826
Consulting fees- professional fees	248 829	105 000
LRAC Training and Workshop	122 607	240 145
Electricity and related costs	1 171 456	343 455
General Revaluation	181 748	-
Interest Paid	4 820	-
LRAC Annual Report	139 000	-
Motor Vehicle Costs - DLRR	20 361	-
NEF Levy	344	-
Printing and Stationary: DLRR	220 319	-
Property Valuer Professional Council	3 652 174	-
Purchase of Safes: DLRR	232 094	-
Registration of Deeds	1 291 497	-
Registration of Notaries Leases	17 752	-
Resettlement Project	347 832	-
Revision of National Resettlement Policy	20 628	-
Regional Resettlement Committee Meetings	4 458 348	-
Valuation and Estates Management	-	4 482 731
Symposium Meetings	109 914	-
13 LAND EXPENSES	6 932 503	2 179 089
Land Survey system	2 008 309	2 179 089
Land Demand Study	237 350	-
Land Tax Administration	4 618 708	-
Land Tribunal Admin Fees	68 136	-

LAND ACQUISITION AND DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENT AS AT 31 MARCH (Continued)

	2016	2015
	N\$	N\$
14 INFRASTRUCTURE COSTS	48 929 169	24 232 787
Infrastructure: Repairs and Maintenance	-	142 665
Infrastructure: Development costs- Water Rehabilitation	33 344 382	20 637 044
Infrastructure: Development costs-Farm Fencing	15 584 787	3 453 078
15 TRAVELLING AND ACCOMODATION	1 520 357	4 268 862
Commissioners' expense (DSA, accommodation and transport)	1 460 357	4 268 862
S & T – LRAC Secretariat	60 000	-
16 FARM RELATED EXPENSES	11 624 875	6 842 922
Farm Assessment and Demarcation	342 598	-
Farm Security	3 594 759	3 689 065
Farm Inspection	17 701	153 857
Farmers Training Programme	-	3 000 000
Farm Transfer Cost	1 359 863	-
Farmers Support	6 309 954	-
17 PERSONNEL EXPENSES	1 256 043	155 496
Overtime – LRAC Secretarial	72 000	-
Staff Costs- Senior Accountant and Accountant	3 198	-
WIRD Division Structure (Salaries & Farm Equipment)	999 480	-
Wages	181 365	155 496
18 TRAINING EXPENSES	94 546	10 010
Training for LRAC Secretariat	8 950	-
Training of RRC's	47 982	-
Staff Training costs	37 614	10 010

