



**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 Trust Fund for Regional Development and Equity Provisions for the financial years ended 31 March 2004 - 2007 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, November 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS  
FOR THE FINANCIAL YEARS ENDED  
31 MARCH 2004 TO 31 MARCH 2007**

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**1. INTRODUCTION**

The TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS was established in terms of section 2 of the Trust Fund for Regional Development and equity Provisions Act, (Act 22 of 2000).

The firm PKF (Namibia) has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Board on behalf of the Auditor-General and under his supervision.

The TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS main objectives are:

- a) To financially assist with:
  - i) The development of regions and local authorities; and
  - ii) The implementation, through the active participation of the local people and in accordance with the Decentralisation Enabling Act, 2000, of the decentralisation programmes at regional and local authority levels in Namibia;
- b) To provide, either at its own initiative or when so requested by a Regional Council or a Local Authority Council, and on the terms and conditions to be determined by the Board, funding for
  - i) Technical assistance, guidance and training in the identification, planning, preparation, appraisal, monitoring, evaluation, financing, implementation or management of development projects; and
  - ii) The formulation of specific projects, needs or proposals in regions or local authorities;
- c) To conduct negotiations in respect of and to control business ventures on behalf of regional councils and local authorities; and
- d) To cooperate and co-ordinate its activities with any person or body who or which has an interest, or is actively involved in the implementation of any decentralisation programme in Namibia.

The Board currently consist of (12) members, all appointed by the Ministry of Regional and Local Government, Housing and Rural Development, in terms of Sections 5 of the Act.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

**2. FINANCIAL STATEMENTS**

The audited financial statements published in this report are filed in the Office of the Auditor-General and comprise the following:

- Annexure A: Balance sheets
- Annexure B: Income Statements
- Annexue C: Statement of Changes in Equity
- Annexure D: Cash Flow Statements
- Annexure E: Notes to the Annual Financial Statements

### 3. SCOPE OF THE AUDIT

The Accounting Officer of the Ministry of Regional and Local Government, Housing and Rural Development is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions.

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm, included:

- (a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of the financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Trust fund in the preparation of the financial statements and of whether the accounting policies are appropriate to the Corporation's circumstances, consistently applied and adequately disclosed; and
- (c) Evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- The financial transactions conform to the authorities which govern them.

### 4. AUDIT OBSERVATIONS AND COMMENTS

During the audit of the Fund the following observations were made for the financial year under review.

#### 4.1 INCOME STATEMENT ITEMS

##### 4.1.1 Revenue/Income received from Ministry of Regional and Local Government, Housing and Rural Development

###### Audit finding

The following income received by the Fund from the Ministry of Regional and Local Government, Housing and Rural Development could not agree with confirmation from Ministry sent on 06 August 2010, as the confirmation was not yet received.

Description	2004	2005	2006	2007
Trust Statutory Income	22 000 000	30 000 000	30 000 000	29 723 000
Other transfers from the Ministry (MRLGH)	12 006 160	5 836 661	None	18 948 535

## **Recommendation**

The Board should ensure that proper records are kept of funds allocated to the Fund from the Ministry of Regional and Local Government, Housing and Rural Development. A system of receipts must be kept, with a register of all funds received, and all corresponding documentation.

### **4.1.2 Verification of Expenditure: Non-submission of audit information.**

#### **Summary of the matters reported to the Fund finance management:**

##### **Audit finding**

- During the 2004 financial year a transfer of N\$ 20,000,000 was made on 15/04/2003, however no supporting documentation was available to verify the transaction. The matter was reported to management and was not yet resolved at the date of the audit.
- During the 2004 financial year on 29/11/2003 and 26/02/2004 payments to the value of N\$ 2 100 000 and N\$ 2 600 000 was made respectively, without any supporting documentation and details of the transaction. As per the bank transaction summary prepared by the funds management the payment of N\$ 2,100,000 was made with cheque no 400, but the cheque details could not be located as the cheque book within that range was not found.
- Project applications and proposals were audited and no discrepancies were found.

## **Recommendation**

It is recommended that management keep and file all supporting documentation for the payments and transfers made to various accounts and creditors. Availability of supporting documentation agreeing to the payments may provide reasonable assurance to the auditors, that payments /transfers are genuine and are not for unlawful actions.

It is also recommended that management charged with governance adheres to the requirements of the Trust Fund for Regional Development and Equity Provision Act, (Act 22 of 2000), section 6 (d) which states that proper records should be kept for all financial transactions.

## **4.2 BALANCE SHEET ITEMS**

### **4.2.1 ASSETS**

#### **4.2.1.1 Non- Current Assets**

##### **Audit finding**

- A total donation of N\$ 10,000,000 was made during the financial years 2002 and 2003 to assist in financing NORED's operating cost. These payments are reflected as investments in the balance sheet, whereas the payments should be regarded as expenditure. There was no supporting documentation for this contribution at the date of audit. The matter was also made known to management.

## **Recommendation**

- It is recommended that this balance be reversed against the asset in the balance sheet as this is not an investment held by the fund in NORED, but part of the payments for projects.

### **4.2.2 MEMBER INTEREST AND LIABILITIES**

#### **4.2.2.1 Current Liabilities**

## **Trade and other Payables: Non – submission of audit information – 2004 to 2007**

### **Audit finding**

The following supporting documentations (i.e. receipts and confirmations) were not provided at the date of the audit.

<b>Description</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
UNDP/PPPUE	299 972	259 647	861 825	861 825
UNDP/Civic Education Income	221 282	221 282	221 282	221 282
SIDA Income	150 232	130 493	130 493	130 493

As per the discussion with the Trust Fund Manager, these are funds that were received from UNDP to finance activities for the facilitators and consultants that act on behalf of the fund in various Regions to educate local people. These amounts have been recognised as a liability.

### **Recommendation**

It is recommended that management adheres to the requirements of the Trust Fund for Regional Development and Equity Provision Act, (Act 22 of 2000), section 6 (d) which states that proper records should be kept for all financial transactions. The reason for these funds must be further investigated, and paid to those applicable, or to be accounted for as funds received in the income statement.

## **5. QUALIFIED AUDIT OPINION**

The accounts of the Fund for the financial years ended 31 March 2004 to 31 March 2007 have been audited in terms of Section 25 (1) of the State Finance Act, 1991 read with Section 9(1) of the Trust Fund for Regional Development and Equity Provisions, (Act 22 of 2000).

The audit opinion has been qualified due to the following reasons:

- Trust Statutory income received from Ministry of Regional and Local Government, Housing and Rural Development could not be confirmed.
- Supporting documentation of certain payments was not available at the date of the audit.
- Trade and other payable balances of N\$ 1 213 599.61, could not be verified to supporting documentation.

Except for above-mentioned remarks, in my opinion the financial statements fairly present the Fund financial position and the results of its operations for the years ended 31 March 2004 to 31 March 2007.

**WINDHOEK, November 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**ANNEXURE A**

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS**

**BALANCE SHEET AS AT 31 MARCH**

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**BALANCE SHEET**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	
	<b>Note</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Investment	2	-	10 000 000	10 000 000	10 000 000
<b>Current assets</b>					
Cash and cash equivalents	3	87 974 914	50 978 292	44 591 751	45 536 996
<b>Total Assets</b>		<b>87 974 914</b>	<b>60 978 292</b>	<b>54 591 751</b>	<b>55 536 996</b>
<b>Capital and Liabilities</b>					
Distributable Reserves		86 739 660	59 745 146	53 981 884	54 865 510
<b>Non - current liabilities</b>					
Loans payable	4	1 212 044	1 212 045	609 867	671 486
<b>Current liabilities</b>					
Trade and other payables	5	23 210	21 100	-	-
<b>Total equity and liabilities</b>		<b>87 974 914</b>	<b>60 978 291</b>	<b>54 591 751</b>	<b>55 536 996</b>

**ANNEXURE B****TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS****INCOME STATEMENTS FOR THE YEARS ENDED 31 MARCH**

<b>INCOME STATEMENT</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
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	Note	N\$	N\$	N\$	N\$
<b>Revenue</b>					
Trust statutory income		29 723 000	30 000 000	30 000 000	22 000 000
Donation received		-	5 000 000	-	-
Interest received		5 908 843	1 362 571	1 893 772	2 224 537
Sundry income		32 040	48 980	71 545	-
Ministry of Regional Local Government and Rural Development		18 948 535	-	5 836 661	12 006 160
		-	-	-	-
		<b>54 612 417</b>	<b>36 411 551</b>	<b>37 801 978</b>	<b>36 230 697</b>
<b>Expenditure</b>					
		<b>17 617 906</b>	<b>30 648 287</b>	<b>38 685 604</b>	<b>42 247 061</b>
Accounting Fees		19 890	21 100	239 404	-
Advertising & Promotion		-	7 503	-	-
Housing Development programme		875 194	1 484 842	-	-
Courier and Postage		-	159	150	-
Aroab		-	119 716	-	-
Outapi Town council		5 832 133	1 638 805	2 300 000	4 700 000
Gibeon Town council		-	4 375 518	-	-
Bank charges		1 828	432	130	2 177
Karkrand Village Council		-	224 065	-	-
Mariental Town council		-	30 513	-	-
Aranos Town council		-	41 773	-	-
Rehoboth Town Council		-	400 385	-	-
Hoachanas		-	275 989	-	-
Gobabis		3 140	605 971	-	-
Rundu town council		-	1 499 987	-	-
Oshakati town council		-	19 913 058	-	875 204
Office expenses		-	1 700	-	-
Legal fees		22 500	-	-	-
Entertainment expenses		13 989	-	2 440	-
Travel and Accommodation		48 385	-	124 452	67 228
Eenhana Town council		160	-	-	-
Subscriptions		-	6 772	6 772	5 079
Provision for accounting fee		23 210	-	-	-
Katima Mulilo		20 000	-	-	-
Sitting allowance		23 010	-	-	-
Printing & Stationary		-	-	4 011	-
Regional Council Housing		-	-	-	9 974
Rent paid		-	-	-	1 693
Repair and maintenance		-	-	20 700	-
Sundry expenses		5 000 000	-	-	285 768
Trustees remuneration		-	-	-	5 531
Ondangwa sewer works		5 700 313	-	-	-
Habit research and development		-	-	-	683 408
Salaries		-	-	98 233	-
Assistance: Direct subsidies	7	-	-	17 535 986	1 374 166
Assistance: Prepaid water meters		-	-	1 619 108	12 809 685
Assistance: Professional services		-	-	-	493 289
Assistance: Surveys		-	-	-	933 859
Assistance: Upgrading of electricity		-	-	1 342 393	-
Assistance: Water and electricity		-	-	15 271 323	-
Electricity and water		-	-	120 502	-
Transfer to Bank of Namibia		-	-	-	20 000 000



Consulting

34 155	=	-	-
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**Net profit before taxation**

<b>36 994 511</b>	<b>5 763 264</b>	<b>(883 626)</b>	<b>(6 016 364)</b>
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## ANNEXURE C

## TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 MARCH

<b>Retained Earnings</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
At the beginning of the year	49 745 148	53 981 884	54 865 510	60 881 874
Adjustment (investment)	-	(10 000 000)		
Surplus/(deficit) for the year	36 994 511	5 763 264	(883 626)	(6 016 364)
At the end of the year	<b>86 739 659</b>	<b>49 745 148</b>	<b>53 981 884</b>	<b>54 865 510</b>

## ANNEXURE C

## TRUST FUND FOR REGIONAL DEVELOPMENT &amp; EQUITY PROVISIONS

## CASH FLOW STATEMENT FOR THE YEARS ENDED 31 MARCH

	Note	2007 N\$	2006 N\$	2005 N\$	2004 N\$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		48 703 575	35 048 980	35 908 206	34 006 160
Cash paid to suppliers and employees		(17 617 906)	(30 627 188)	(38 685 604)	(42 247 033)
Cash (utilized in) / generated by operations	6	<b>31 085 669</b>	<b>4 421 792</b>	<b>(2 839 017)</b>	<b>(8 657 273)</b>
Finance income		5 908 843	1 362 571	1 893 772	2 224 537
<b>Net cash from operating activities</b>		<b>36 994 512</b>	<b>5 784 363</b>	<b>(945 245)</b>	<b>(6 432 736)</b>
<b>Cash flows from investing activities</b>					
Increase in loans		-	602 178	-	-
<b>Net cash from investing activities</b>		<b>-</b>	<b>602 178</b>	<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>36 994 512</b>	<b>6 386 541</b>	<b>(945 245)</b>	<b>(6 432 736)</b>
<b>Total cash and cash equivalents for the year</b>					
Cash and cash equivalents at beginning of the year		<b>50 978 292</b>	<b>44 591 751</b>	<b>45 536 996</b>	<b>51 969 732</b>
<b>Total cash and cash equivalents at end of the year</b>		<b>87 972 804</b>	<b>50 978 292</b>	<b>44 591 751</b>	<b>45 536 996</b>

# TRUST FUND FOR REGIONAL DEVELOPMENT & EQUITY PROVISIONS ANNEXURE E

*(Established in terms of the Trust Fund for Regional Development and Equity Provisions ACT, 2000)*

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 1 Basis of preparation

The financial statements are prepared under the historical cost convention. Unless otherwise specifically stated, this basis is consistent with that of the previous year.

#### 1.1 Revenue Recognition

Revenue relating to statutory grant and transfer from the Ministry of Regional and Local Government is recognised in the financial statements at the date the funds are recovered.

Interest investment income is accounted for as it accrues.

#### 1.2 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

#### 1.3 Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 1.4 Investments

Unlisted investments are stated at cost and are written down only where there is a permanent impairment in value. Listed investment are stated at market value. Dividends are brought to account as at the last day of registration in respect of listed shares and when declared in respect of unlisted shares.

#### 1.5 Trade and payables

Trade and payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	N\$	N\$	N\$	N\$
<b>2 Investments</b>				
Nored Equity Contribution	-	10 000 000	10 000 000	10 000 000

## ANNEXURE E (CONTINUES)

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3 Cash and cash equivalents**

Netbank current account	71 926 892	36 080 528	30 694 437	23 108 064
Netbank call account	16 048 022	14 897 764	13 897 314	22 428 932
	<b>87 974 914</b>	<b>50 978 292</b>	<b>44 591 751</b>	<b>45 536 996</b>

**4 Loans payables**

UNDP/Public Private Partnership	861 825	860 270	258 091	299 972
SIDA Income	130 493	130 493	130 494	150 232
UNDP/Civic Education	221 282	221 282	221 282	221 282
Public Private Partnership	(1 556)	-	-	-
	<b>1 212 044</b>	<b>1 212 045</b>	<b>609 867</b>	<b>671 486</b>

These loans bear no interest and have no fixed terms of repayments

**5 Trade and other payables**

Accounting fees- accrual	<b>23 210</b>	<b>21 100</b>	-	-
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**6 Notes to the cash flow statement**

Cash generated by/(utilised in) operating activities				
Net profit/(loss)	36 994 511	5 763 263	(883 626)	(6 016 364)
Adjustments for:				
Investment income	(5 908 843)	(1 362 571)	(1 893 772)	(2 224 537)
	<b>31 085 668</b>	<b>4 400 692</b>	<b>2 777 398</b>	<b>8 240 901</b>
Movement in working capital				
Increase/(decrease) in accounts payables	2 110	21 100	(61 619)	(416 372)
	<b>31 087 778</b>	<b>4 421 792</b>	<b>(2 839 017)</b>	<b>(8 657 273)</b>

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash and cash equivalents	<b>87 974 914</b>	<b>50 978 292</b>	<b>44 591 751</b>	<b>45 536 996</b>
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## ANNEXURE E (CONTINUES)

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	N\$	N\$	N\$	N\$
7. Assistance: Direct subsidies				
Oshakati Town Council		19 913 059	7 857 151	
Okakarara Town Council		-	561 865	
Aroab town Council		119 716	180 000	
Eenhana Town Council		-	1 574 000	
Maltahohe Village Council		-	500 000	
Kalkrand Village Council		224 064	224 064	
Katima Mulilo Town Council		30 513	500 000	
Hoachanas		-	6 138 906	
Klein Aub		275 989	-	
Rundu Town Council		605 971	-	
		<u>1 499 987</u>	<u>-</u>	
		<b><u>22 669 299</u></b>	<b><u>17 535 986</u></b>	