



REPUBLIC OF NAMIBIA



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 2008, 2009 AND 2010

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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 Trust Fund for Regional Development and Equity Provisions for the financial years ended 31 March 2008, 2009 and 2010 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 2011**

**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 2008, 31 MARCH 2009 AND 31 MARCH 2010**

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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 (10) members, all appointed by the Ministry of Regional and Local Government, Housing and Rural Development, in terms of Section 5 of the Act.

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

**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
- Annexure C: Cash flow statements
- Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

The chairperson of the Trust Fund 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 chairperson of the trust fund in the preparation of the financial statements and of whether the accounting policies are appropriate to the trust fund'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 Trust Fund the following observations were made for the financial years under review:

##### 4.1 INCOME STATEMENT ITEMS

##### 4.1.1 Revenue/Income received from the Ministry of Regional and Local Government, Housing and Rural Development and from the Ministry of Finance for 2008, 2009 and 2010

Revenue is mainly received by the Trust Fund from the Ministry of Regional and Local Government, Housing and Rural Development (MRLGHRD). The auditors sent out an external confirmation to the Ministry of Regional and Local Government, Housing and Rural Development to ensure that the records of the trust fund and that of the Ministry agree. No exceptions were noted and the completeness and accuracy of revenue in this regard was verified. The following income was received from the Ministry for the financial years under review:

<b>Description of Funding from MRLGHRD</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
Trust statutory income	30 000 000	30 250 000	30 000 000
Grant received - Traditional Authority Buildings	9 470 930	-	-
Grant received - Shanghai World Expo	2 000 000	-	-
Grant received - Governors Vehicles	-	-	3 000 000

<b>Description of Funding from Ministry of Finance</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
Grant received - Illegal grazing	-	2 500 000	-

However, the Trust Fund also has a call account at Nedbank and from this account investment revenue is earned, which also makes up and adds to the income of the Fund. Investment revenue as indicated below was vouched from the bank statements and agreed to the financial records of the fund. No exceptions were noted and the completeness and accuracy of revenue in this regard was verified:

<b>Descriptions</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
Investment revenue	5 538 192	7 061 003	8 216 132

#### **4.1.2 Verification of Expenditure:**

All expenditure selected for testing, based on the materiality calculated was successfully verified to the supporting documentation. The findings and the documentation of the supporting documentation was done.

No significant discrepancies and exceptions was noted during the vouching process of expenditure payments of the Trust Fund during the audit for 2008 to 2010 financial periods and thus no recommendations are deemed necessary.

#### **4.2 BALANCE SHEET ITEMS**

##### **4.2.1 ASSETS**

###### **4.2.1.1 Non - current Assets**

There were no non-current assets for the years under review.

###### **4.2.1.2 Current Assets**

The current assets for the years under review consist only of cash and cash equivalents. The bank balances were confirmed directly with Nedbank. No exceptions were noted and the bank balances were satisfactorily verified.

##### **4.2.2 EQUITY AND LIABILITIES**

###### **4.2.2.1 Non-current liabilities**

The auditors noted that the only non-current liability was the loan from UNDP/PPPUE totaling to N\$ 382 188. During the financial periods 2006 to 2007, UNDP provided a total sum of N\$ 861 825 to the Trust Fund in the form of funds advanced to finance activities such as for the facilitators and consultants that acted on behalf of the Fund in various Regions to educate local people. These amounts have been recognised as a liability. However, UNDP does not require these funds to be paid back by the Trust Fund.

As a result this remaining N\$ 382 188 may not be recognised as a loan to related party and thus was reclassified by the Accounting Officers with a journal entry as from the 2009 financial period.

#### **4.2.2.2 Current Liabilities**

During 2008 financial period there was an overdraft of N\$ 738 489 and this was verified to supporting documentation under the bank and cash. No exceptions were noted. There were no further current liabilities for the Trust Fund for the years under review.

### **4.3 GENERAL**

#### **4.3.1 SEGREGATION OF DUTIES**

A meeting was held with the trust fund manager and the auditors to discuss the control environment. It was stated during the meeting that there is currently segregation of duties within the finance department. There is a Chief Accountant and a Junior Accountant. The Junior Accountant and the Chief Accountant's work are reviewed by the trust fund Manager, and then the Board of Trustees does the final review of the work.

The Chief Accountant and the Junior Accountant prepare a bank transaction summary on Excel on a daily basis. At the end of the financial period this data is forwarded to the external accountant (i.e.: BDO) who prepares the trial balance and the general ledger on Pastel, which is an off - shelf system. BDO will then create the financial statements on Caseware, which is also an off - shelf system. These financial statements are then forwarded to the Auditor-General for the year end audits.

#### **4.3.2 DESCRIPTION OF CONTROL ENVIRONMENT RELATED TO:**

##### **4.3.2.1 Organisational structure and assignment of authorisation and responsibility**

The main expenditure of the trust is to finance projects submitted by various Regional Councils and Local Authorities. Regional Councils and Local Authorities submit their application for the project to the Trust Fund manager. These applications are then recommended to the Board of Trustees for approval. Once applications are approved Regional Councils and Local Authorities are then informed, who then invite tenders for the project.

Transaction flow:

- Regional councils and local authorities submit their application for the project to the Trust Fund.
- Executive committee members recommend the application to board of trustees for approval
- Board of Trustees – approving of the application.
- Once project is approved, regional councils and local authorities are informed.
- Finance Department – preparation for the payment
- Executive Board of Trustees – signatories for payments
- Final payout for the project (i.e.: via cheque or EFT)

The cheque signatories are any two of the three executive committee members of the board of trustees. This was verified during the audit on authorisation of expenses.

The fund manager is responsible for reviewing the work of the accountants and the final work is reviewed and approved by the Permanent Secretary of the MRLGHRD.

#### **4.3.2.2 Communication and enforcement of integrity and ethical values**

The Board of Trustees meets regularly, and the minutes to these meetings are kept. In these meetings all significant issues relating to the Fund are being discussed and documented.

The auditors noted that there were only three meetings held during the three years audited (i.e.: on the following dates, 23 July 2009, 26 June 2007 and 24 April 2007). As per the Trust Fund for Regional Development and Equity Provisions Act, 2000 Section 8(1), "The Board shall not, without the written consent of the Minister, hold less than four meetings during any year". Thus not all meetings as prescribe by the Act were held during the years under review.

#### **4.3.2.3 Management's philosophy and operating style and commitment to competence**

Due to the nature of the Trust Fund, local management is responsible for the operation of the Trust Fund on a day – to – day basis. Currently there is a Trust Fund manager, chief accountant, a junior accountant, administrative assistant and one receptionist responsible for the day - to - day operation of the Trust Fund. However, executive committee members mentioned above are also responsible for the oversight of day – to – day operation of the Trust Fund.

#### **4.3.2.4 Participation of those charged with governance**

During the confirmation of the controls environment it was noted that the Board of trustees are also involved in the day - to - day operation of the Trust in the approval of applications of the projects, and the signatories on payments.

It is recommended that at least one meeting be held per quarter during the financial year as required under the Trust Fund for Regional Development and Equity Provisions Act, 2000 Section 8(1).

#### **4.3.3 Financial statement and disclosure of project funds and expenses**

Currently, funds and subsequent application of funds received are disclosed as income in the income statement.

### **5. UNQUALIFIED AUDIT OPINION**

The accounts of the Trust Fund for the financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 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).

#### **Audit opinion**

In my opinion the annual financial statements for the years ended 31 March 2008, 2009 and 2010 have been prepared, in all material aspects, in accordance with the basis of accounting described in note1 and fairly present the financial position of the Fund at those dates and the results of its operations and cash flows for the years then ended.

**WINDHOEK, November 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

## BALANCE SHEETS AS AT 31 MARCH

	Note	2010 N\$	2009 N\$	2008 N\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	2	112 722 405	84 226 358	89 231 034
<b>Total assets</b>		<b>112 722 405</b>	<b>84 226 358</b>	<b>89 231 034</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Accumulated surplus		112 722 405	84 226 358	88 110 357
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans from related parties		-	-	382 188
<b>Current liabilities</b>				
Bank overdraft	2	-	-	738 489
<b>Total equity and liabilities</b>		<b>112 722 405</b>	<b>84 226 358</b>	<b>89 231 034</b>



## TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

## INCOME STATEMENTS FOR THE YEARS ENDED 31 MARCH

	Notes	2010	2009	2008
		N\$	N\$	N\$
<b>Revenue</b>				
Trust statutory income	5	30 000 000	30 250 000	30 000 000
<b>Other income</b>				
Grant received - Governors vehicle		-	-	3 000 000
Grant received - Traditional Authority Buildings		9 470 930	-	-
Grant received - Shanghai World Expo		2 000 000	-	-
Grant received - Illegal grazing		-	2 500 000	-
<b>Total Income</b>		<b>41 470 930</b>	<b>32 750 000</b>	<b>33 000 000</b>
<b>Expenditure</b>				
		<b>18 513 075</b>	<b>43 681 167</b>	<b>39 839 576</b>
Accounting fees		-	-	3 482
Advertising & promotion		2 021	-	3 233
Assistance - Gibeon		67 506	653 522	3 391 918
Assistance - Karibib		3 879 942	7 773 462	-
Assistance - Oshakati Town Council		-	-	2 249 184
Assistance - Outapi Town Council		-	-	211 129
Assistance - Ruacana		293 733	6 676 996	851 303
Assistance - Rundu		5 058 232	27 204 591	5 917 100
Assistance - Stampriet		-	-	3 136 460
Assistance - Warmbad		-	44 205	-
Assistance - Farm Emmerentia no 380		5 315 000	-	-
Bank charges		1 574	1 959	2 212
Employee cost		39 623	-	-
Entertainment		670	-	3 743
Governor vehicle expenses		-	-	5 378 442
Hire of conference room		-	-	4 780
Illegal grazing expenses		53 000	-	-
Legal expenses		-	-	342 071
Loan written-off		-	(247 582)	(350 219)
Ondangwa sewer works		1 788 250	1 567 024	17 059 366
Postage		342	-	-
Printing and stationary		7 073	-	5 341
Shanghai world expo expense		1 991 597	-	-
Sitting allowance - board meetings		2 000	3 000	15 000
Transfer to NHE		-	-	1 500 000
Travel and accommodation		12 512	3 990	115 031

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS**  
**INCOME STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
<b>Operating (deficit) surplus</b>	<b>22 957 855</b>	<b>(10 931 167)</b>	<b>(6 839 576)</b>
Investment revenue	5 538 192	7 061 003	8 216 132
Finance cost	-	(13 835)	(5 859)
<b>(Deficit) surplus for the period</b>	<b>28 496 047</b>	<b>(3 883 999)</b>	<b>1 370 697</b>
<b>Accumulated surplus</b>			
At the beginning of the year	84 226 358	88 110 357	86 739 660
Surplus/(deficit) for the year	28 496 047	(3 883 999)	1 370 697
At the end of the year	<b>112 722 405</b>	<b>84 226 358</b>	<b>88 110 357</b>

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS**  
**CASH FLOW STATEMENTS FOR THE FOR THE YEARS ENDED 31 MARCH**

	<b>Notes</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		N\$	N\$	N\$
<b>Cash flows from operating activities</b>				
Cash used in operation	5	22 957 855	(10 931 167)	(6 862 785)
Interest income		5 538 192	7 061 002	8 216 131
Finance cost		-	(13 835)	(5 858)
<b>Net cash from operating activities</b>		<b>28 496 047</b>	<b>(3 884 000)</b>	<b>1 347 488</b>
<b>Cash flows from investing activities</b>				
Loan written off		-	(382 188)	(829 856)
<b>Net cash from investing activities</b>		<b>-</b>	<b>(382 188)</b>	<b>(829 856)</b>
<b>Total cash movement for the period</b>		<b>28 496 047</b>	<b>(4 266 188)</b>	<b>517 632</b>
Cash at the beginning of the period		84 226 357	88 492 545	87 974 913
<b>Total cash at end of the period</b>	2	<b>112 722 404</b>	<b>84 226 357</b>	<b>88 492 545</b>

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH**

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**1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements have been prepared on the historical cost basis, and incorporate the principal account policies set out below.

These accounting policies are consistent with the previous period.

**1.1 Financial instruments****Initial recognition**

The trust classified financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the trust's balance sheet when the trust becomes party to the contractual provisions of the instruments.

**Loans to (from) related parties**

These include loans to related parties and are carried at amortised cost less any accumulated impairment.

**Trade and other payables**

Trade and other payables are carried at amortised cost.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

**Bank overdraft and borrowings**

Bank overdraft and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the trust's accounting policy for borrowings costs.

**1.2 Revenue**

Revenue comprise of money appropriated by Parliament and donations and contributions made to the Fund.

Interest is recognised, in profit or loss, using the effective interest rate method.

**1.3 Borrowing cost**

Borrowing cost are recognised as an expense in the period in which they are incurred.

## TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
<b>2. CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of:			
Nedbank current account	31 013 948	405 009	-
Nedbank call account	81 708 457	83 821 349	89 231 034
Bank overdraft - Nedbank current account	-	-	(738 489)
	<b>112 722 405</b>	<b>84 226 358</b>	<b>88 492 545</b>
<b>3. REVENUE</b>			
Trust statutory income	30 000 000	30 250 000	30 000 000
Trust statutory income comprises of:			
Transfer from finance	-	-	10 000 000
Transfer from finance	-	15 125 000	10 000 000
Transfer from finance	9 900 000	15 125 000	10 000 000
Transfer from finance	20 100 000	-	-
	<b>30 000 000</b>	<b>30 250 000</b>	<b>30 000 000</b>
<b>4. INVESTMENT REVENUE</b>			
<b>Interest revenue</b>			
Interest received - Call account	5 207 108	6 840 481	7 240 614
Interest received - Current account	331 084	220 522	975 518
	<b>5 538 192</b>	<b>7 061 003</b>	<b>8 216 132</b>
<b>5. CASH GENERATED FROM/(USED IN) OPERATIONS</b>			
Surplus / (deficit)	28 496 047	(3 883 999)	1 370 697
<b>Adjustments for:</b>			
Interest received	(5 538 192)	(7 061 003)	(8 216 131)
Finance cost	-	13 835	5 859
<b>Change in working capital:</b>			
Trade and other payables	-	-	(23 210)
	<b>22 957 855</b>	<b>(10 931 167)</b>	<b>(6 862 785)</b>