



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

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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 year ended 31 March 2012 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, August 2013

**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 YEAR ENDED
31 MARCH 2012**

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, 2000 (Act 22 of 2000).

The firm EDB & Associates has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Fund 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 Minister 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 Sheet
- Annexure B: Income and expenditure statement
- Annexure C: Statement of changes in equity
- Annexure D: Cash flow statement
- Annexure E: 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 year under review:

4.1 GENERAL

4.1.1 Communication and enforcement of integrity and ethical values

The auditors noted that there was only one meeting held during the year audited. 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 prescribed by the Act were held during the year under review.

Minutes of the meeting mentioned above were signed as proof of approval.

4.1.2 Participation of those charged with governance

During the confirmation of the control 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.

Recommendation

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).

The Board should also not be involved in the day-to-day operation of the Trust as it will compromise its independence.

4.1.3 Duties of the Board

The Auditors found that the Board does not fulfil all the duties as per the stipulation of the Trust Fund for Regional Development and Equity Provisions, 2000 (Act 22 of 2000). Paragraph 6 requires that:

“The Board, acting on behalf of the Fund, shall –

- prepare, as soon as practicable after year end of each financial year, a revenue and expenditure account of the Fund relating to, and a balance sheet of the assets and liabilities of the Fund at the end of, such financial year and shall submit such accounts and balance sheets to the Minister together with a separate report on the activities of the Board in respect of every Region during the financial year concerned;
- determine the allocation of funds from the Trust Fund to the Housing Revolving Fund established by regional councils and local authority councils in terms of section 8 of the National Housing Development Act, 2000, and the manner in which such funds shall be paid over, including the amounts to be paid over;
- prepare, subject to subsections (2) and (3), written guidelines containing:
 - (i) the Fund’s –
 - (a) interpretation of its objects
 - (b) approach or policy relating to economic development in any specific or general field, form, manner or area; and
 - (c) preferences and priorities relating to economic development; and
 - (ii) any other matter relating to the achievement of the Fund’s objects which it considers necessary or useful to be determined,
- And shall not later than six months after the constitution of the Board in terms of section 5, submit the guidelines so prepared to the Minister; and
- cause, subject to section 8(11)(b), minutes to be kept of the proceedings at the meetings of the Board, which minutes shall be submitted to the Minister within a period of 14 days after the closing of the meeting concerned.”

According to the auditors knowledge obtained during the audit, these paragraphs, except for the preparation of the annual financial statements are not complied with.

5. AUDIT OPINION

The accounts of the Trust Fund for the financial year ended 31 March 2012 have been audited in terms of Section 25 (1) of the State Finance Act, 1991 read with Section 9(2) of the Trust Fund for Regional Development and Equity Provisions Act, 2000 (Act 22 of 2000).

In my opinion, the financial statements present fairly, in all material respects, the financial position of Trust Fund for Regional Development and Equity Provisions as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

The following issues were noted during the audit:

- Not all meetings as required by the Trust Fund for Regional Development and Equity Provisions Act, (Act 22 of 2000) have been held by the Board during the year under review; and
- The Board did not fulfil all their statutory duties as per paragraph 6, subsection (e) to (h) of the Trust Fund for Regional Development and Equity Provisions Act, 2000 (Act 22 of 2000), except for the preparation of the annual financial statements.

WINDHOEK, August 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

ANNEXURE A

TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

BALANCE SHEETAS FOR THE YEAR ENDED 31 MARCH

	Note	2012 N\$	2011 N\$
ASSETS			
Non-current Assets			
Property, plant and equipment	2	796 053	484 115
Current Assets			
Trade and other receivables	3	1 354 962	555 879
Cash and cash equivalents	4	183 945 530	158 138 214
Total Assets		186 096 545	159 178 208
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		186 096 545	159 178 208
Total Equity and Liabilities		186 096 545	159 178 208

ANNEXURE B

TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2012 N\$	2011 N\$
Revenue			
Trust statutory income	5	30 000 000	30 000 000
Other income			
Grant received - Traditional authority buildings		12 499 568	3 499 993
Grant received - Shanghai World Expo		-	-
Grant received - Fire fighting equipment		-	77 465 675
Grant received - Adjusted annual salaries		-	6 600 000
Grant received - City of Windhoek		-	10 000 000
Grant received - Amount to LA's and RC's		-	11 000 000
Interest received from investments	6	9 031 351	7 514 968
		51 530 919	116 080 636
Expenditure			
		24 612 582	99 624 714
Accounting Fees		10 634	38 984
Advertising & Promotion		7 073	14 201
Bank charges		14 707	10 185
Cleaning expense		6 200	-
Depreciation		185 791	37 290
Employee cost		1 688 896	1 027 604
Fuel cost		11 842	-
Insurance		34 930	-
Lease rentals on operating lease		-	188 190
MRLGHRD-Adjusted annual salaries		-	5 873 306
MRLGHRD-Amount to LA's and RC's		-	11 000 000
MRLGHRD-City of Windhoek		-	10 000 000
MRLGHRD-Fire fighting equipment		-	53 623 502
MRLGHRD-Illegal grazing expenses		-	14 886
MRLGHRD-Mariental flood account		-	5 000 000
MRLGHRD-Shanghai world expo expense		-	-
MRLGHRD-Traditional Authority buildings		3 365 051	3 982 396
Motor vehicle		516	-
Postage		430	424
Printing and stationary		14 671	17 844
Project – Aminuis settlement		392 690	-
Project – Coblenz settlement		400 023	-
Project – Fransfontein settlement		417 224	-
Project – Gibeon Village Council		635 741	-
Project – Groot Aub settlement		573 003	-
Project - Karasburg Municipality		14 261 401	3 076 397
Project - Karibib		-	427 717
Project – Okangwati settlement		386 971	-
Project - Ondangwa Town Coun		-	818 683

Project – Otjiwarongo Mun	856 511	-
Project - Rundu	-	3 791 976
Project – Sesfontein	402 142	-
Project - Warmbad	464 353	629 461
Refreshments	8 962	2 210
Rental expense	352 089	188 190
Repair and maintenance	7 744	-
Sitting allowance - board meetings	3 000	7 000
Software expense	6 342	-
Telephone	51 857	17 971
Training and workshops	14 331	-
Travel and accommodation	37 457	24 487
Operating surplus	26 918 337	46 455 922
Finance cost	(3)	(119)
Surplus for the period	26 918 334	46 455 803

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TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

	Accumulated surplus	Total equity
	N\$	N\$
Balance at 1 April 2010	112 722 405	112 722 405
Changes in equity		
Surplus for the year	46 455 803	45 455 803
Total changes	45 455 803	45 455 803
Balance at 1 April 2011	159 178 208	159 178 208
Changes in equity		
Surplus for the year	26 918 337	26 918 337
Total changes	26 918 337	26 918 337
Balance at 31 March 2012	186 096 545	186 096 545

TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

CASH FLOWS STATEMENT AS FOR THE YEAR ENDED 31 MARCH

	Notes	<u>2012</u> N\$	<u>2011</u> N\$
Cash flows from operating activities			
Cash used in operation	7	17 273 695	38 422 365
Interest income		9 031 351	7 514 968
Finance cost		(3)	(119)
Net cash from operating activities		<u>26 305 043</u>	<u>45 937 214</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(497 727)	(521 405)
Net cash from investing activities		<u>(497 727)</u>	<u>(521 405)</u>
Total cash movement for the period			
Cash at the beginning of the period		25 807 316	45 415 809
Total cash at end of the period	4	<u>158 138 214</u>	<u>112 722 404</u>
		<u>183 945 530</u>	<u>158 138 213</u>

TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributed to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the statement of comprehensive income during the reporting year in which they are incurred.

Depreciation is charged to write off the depreciable amount of the assets, over the estimated useful lives, using a method that reflects the pattern in which the assets' future economic benefits are expected to be consumed by the company.

Depreciation is calculated on the straight line method to write off the cost of each asset, to their residual values over the assets' estimated useful lives, as follows:

Furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	3 years
Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each reporting date. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are included in the statements of comprehensive income. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.2 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are carried at the lowest levels for which they are separately identifiable cash-generating units.

1.3 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 statement of financial position 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.

1.4 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.

1.5 Borrowing cost

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

2. Property, plant and equipment

	2012			2011		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Furniture and fixtures	170 555	(44 511)	126 044	160 181	(10 679)	149 502
Motor vehicles	642 184	(99 051)	543 133	218 572	(9 107)	209 465
Office equipment	40 716	(11 605)	29 111	22 755	(1 934)	20 821
IT equipment	134 725	(57 595)	77 130	119 897	(15 570)	119 897
Computer	30 952	(10 317)	20 635	-	-	-
Total	1 019 132	(223 079)	796 053	521 405	(37 290)	484 115

Reconciliation of property, plant and equipment – 2012

	Opening Balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Furniture and fixtures	149 502	10 374	(33 832)	126 044
Motor vehicles	209 465	423 612	(89 944)	543 133
Office equipment	20 821	17 961	(9 671)	29 111
IT equipment	20 821	14 828	(42 025)	77 130
	-	30 952	(10 317)	20 635
	<u>484 115</u>	<u>497 727</u>	<u>(185 789)</u>	<u>796 053</u>
			2012	2011
			N\$	N\$
3. Trade and other receivables				
Value added tax			1 354 962	555 879
			2012	2011
			N\$	N\$
4. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Nedbank current account			344 286	3 705 717
Nedbank call account			183 601 244	154 432 497
			183 945 530	158 138 214
5. Revenue				
Trust statutory income			30 000 000	30 000 000
Trust statutory income comprises of:				
Transfer from Ministry of RLGHRD			-	-
Transfer from finance			9 040 425	-
Transfer from finance			20 959 575	-
			30 000 000	30 000 000
6. Investment revenue				
Interest revenue				
Interest received - call account			9 014 414	7 481 403
Interest received - current account			16 937	33 565
			9 031 351	7 514 968

	2012	2011
	N\$	N\$
7. Cash generated from operations		
Surplus	26 918 337	46 455 803
Adjustments for:		
Depreciation and amortisation	185 789	37 290
Interest received	(9 031 351)	(7 514 968)
Finance cost	3	119
Change in working capital:		
Trade and other payables	(799 083)	555 879
	17 273 695	38 422 365