



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 2016

Published by authority

Price (Vat excluded) N\$ 38.40
Report no: 92/2018



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 2016**

Published by authority

Price (Vat excluded) N\$
Report no:

REPUBLIC OF NAMIBIA



TO THE HONORABLE 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 2016, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honorable 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, July 2018

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

**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 2016**

1. INTRODUCTION

The accounts of the Trust Fund for Regional Development and Equity Provisions for the year ended 31 March 2016 are being reported on in accordance with the provisions set out in the Trust Fund for Regional Development and Equity Provisions Act, 2000 (Act 22 of 2000).

The firm Taziwa Consulting 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 Trust Fund for Regional Development and Equity Provisions 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 Trust Fund for Regional Development and Equity Provisions for the year ended 31 March 2016. These financial statements comprise the following:

Annexure A: Statement of financial position;
Annexure B: Statement of comprehensive income;
Annexure C: Statement of changes in equity;
Annexure D: Cash flow statement; and
Annexure E: Notes to the financial statements.

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 9 of the Trust Fund for Regional Development and Equity Provisions Act.

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

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 7(h)(v) of the Trust Fund for Regional Development and Equity Provisions Act, 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 sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Trust Fund for Regional Development and Equity Provisions during the audit is appreciated.

5. KEY AUDIT FINDINGS

No key audit issues were observed during the audit.

6. UNQUALIFIED AUDIT OPINION:

The accounts of the Trust Fund for Regional Development and Equity Provisions for the financial year ended 31 March 2016 summarised in Annexures A to E were audited by me in terms of Section 9 of the Trust Fund for Regional Development and Equity Provisions Act, 2000 (Act No. 22 of 2000).

In my opinion, the financial statements present fairly, in all material respects the financial position of the Trust Fund for Regional Development and Equity Provisions as at 31 March 2016, and their financial performance and cash flows for the year then ended.



WINDHOEK, July 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
BALANCE SHEET AT 31 MARCH 2016**

| ASSETS | Note | 2016 N\$ | 2015 N\$ |
|-------------------------------------|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 2 | 145 969 | 164 876 |
| Current assets | | | |
| Trade and other receivables | 3 | 47 073 888 | 42 629 724 |
| Cash and cash equivalents | 4 | 44 149 | 253 444 |
| | | 47 029 739 | 42 376 280 |
| TOTAL ASSETS | | 47 219 857 | 42 794 600 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Accumulated surplus | | 12 535 462 | 9 067 689 |
| Current liabilities | 5 | 34 684 395 | 33 726 911 |
| TOTAL EQUITY AND LIABILITIES | | 47 219 857 | 42 794 600 |

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

| | | 2016 | 2015 |
|--|------|--------------------|--------------------|
| | Note | N\$ | N\$ |
| Revenue | | 8 291 953 | 2 192 904 |
| Trust statutory income | 6 | 30 000 000 | 30 000 000 |
| Committed funds | | (28 100 001) | (35 605 630) |
| Interest earned | 7 | 1 721 350 | 1 732 415 |
| Refunds received | | 1 049 021 | 3 018 |
| Surplus funds on projects | | 3 621 583 | 6 063 101 |
| Expenditure | | (4 824 176) | (4 038 817) |
| Accounting fees | | (51 673) | (21 896) |
| Advertising | | - | (15 971) |
| Bank charges | | (32 780) | 52 985 |
| Board activities | | (111 310) | (181 502) |
| Cleaning | | (7 134) | (4 948) |
| Computer expenses | | (28 428) | (25 721) |
| Consulting fees | | (119 025) | (133 660) |
| Depreciation, amortisation and impairments | 2 | (36 424) | (200 634) |
| Employee costs | | (3 773 968) | (2 975 842) |
| Fuel cost | | (27 452) | (54 350) |
| Insurance | | (69 002) | (38 336) |
| Motor vehicle expenses | | (8 400) | (16 837) |
| Fines and penalties | | (131 139) | - |
| Postage | | -478 | (1 366) |
| Printing and stationery | | (23 633) | (17 420) |
| Refreshments | | (18 040) | (24 461) |
| Rent paid | | (34 733) | (38 185) |
| Sitting allowance – Board meetings | | (24 000) | (33 500) |
| Telephone and fax | | (38 731) | (40 094) |
| Training and workshops | | (109 451) | (80 294) |
| Travel and accommodation | | (56 225) | (51 636) |
| VAT disallowed | | (87 068) | - |
| VET levy | | (35 082) | (29 179) |
| Total comprehensive income/(deficit) for the year | | 3 467 773 | (1 845 913) |

**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 01 April 2014 | 10 913 602 | 10 913 602 |
| Deficit for the year | (1 845 913) | (1 845 913) |
| Balance at 01 April 2015 | 9 067 689 | 9 067 689 |
| Surplus for the year | 3 467 773 | 3 467 773 |
| Balance at 31 March 2016 | 12 535 462 | 12 535 462 |

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH**

| | Note | 2016 N\$ | 2015 N\$ |
|---|------|-------------------|--------------------|
| Cash flow from operating activities | | | |
| Statutory income | | 30 000 000 | 30 000 000 |
| Cash paid to beneficiaries and employees | | (27 814 959) | (32 651 093) |
| Cash generated from/(used in) operations | 8 | 2 185 041 | (2 651 093) |
| Investment income | | 1 721 350 | 1,732,415 |
| Net cash flow from operating activities | | 3 906 391 | (918 678) |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment | 2 | (17 516) | (56 516) |
| Cash flow from financing activities | | | |
| Movement in other financial liabilities - MURD | | (517 911) | (87 684) |
| Movement in ongoing projects | | 1 282 495 | 17 456 069 |
| Net cash flow from financing activities | | 764 584 | 17 368 385 |
| Total cash movement for the year | | 4 653 459 | 16 393 191 |
| Cash at the beginning of the year | 4 | 42 376 280 | 25 983 089 |
| Total cash at end of the year | 4 | 47 029 739 | 42 376 280 |

ANNEXURE E

THE TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Accounting policies

1. Presentation of Annual Financial Statement

The annual financial statements have been prepared in accordance with accounting policies as set out below. The annual financial statements have been prepared on the historical cost basis. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Financial assets measured at cost and amortised cost

The Trust Fund assesses its financial assets measured at cost and amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Trust Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial assets measured at cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period that correlate with default on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

**THE TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

Impairment testing

The Trust Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which it belongs.

Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- Are held for the use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- Are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

| | |
|-------------------------------|---------|
| Furniture and fittings | 5 years |
| Motor vehicles | 4 years |
| Office equipment | 3 years |
| Computer equipment | 3 years |
| Computer software | 3 years |
| Property, plant and equipment | 5 years |

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant change from the previous estimate.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

**THE TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)**

1.3 Financial instruments

Initial recognition

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through surplus or deficit.

Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Trust Fund will not be able to collect all amounts due to the original terms of the receivable.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using effective interest method.

1.4 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 leases if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a cash basis over the term except in cases where another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or where the payments are structured to increase in line with the expected general inflation.

1.5 Provisions and contingencies

Provisions are recognised when:

- The Trust Fund has an obligation at the reporting date as a result of a past event;
- It is probable that the Trust Fund will be required to transfer economic benefits in settlement; and
- The amount of the obligation can be estimated reliably.

1.6 Revenue

Revenue comprises funding received from the Ministry of Finance.

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

**THE TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)**

2. PROPERTY, PLANT AND EQUIPMENT

| | 2016 | | 2015 | |
|-----------------------------|-----------|-----------------------------|-------------------|-----------|
| | Cost | Accumulated Depreciation | Carrying value | Cost |
| | N\$ | N\$ | N\$ | N\$ |
| Furniture and fixtures | 170 555 | (153 499) | 17 056 | 170 555 |
| Motor vehicles | 642 184 | (571 581) | 70 603 | 642 184 |
| Office equipment | 64 745 | (56 561) | 8 184 | 64 745 |
| IT equipment | 199 247 | (152 857) | 46 390 | 181 731 |
| Computer | 30 952 | (30 950) | 2 | 30 952 |
| Property, plant & equipment | 6 773 | (3 039) | 3 734 | 6 773 |
| | 1 114 456 | (968 487) | 145 969 | 1 096 940 |
| | | | | (932 064) |
| | | | | 164 876 |

Pledged as security

No assets were pledged as security

ANNEXURE E

**TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

| | Opening balance | Additions | Depreciation | Total |
|-----------------------------|--------------------|-----------|--------------|---------|
| | N\$ | N\$ | N\$ | N\$ |
| 2015 | | | | |
| Furniture and fixtures | 27 888 | - | (10 832) | 17 056 |
| Motor vehicles | 70 603 | - | - | 70 603 |
| Office equipment | 14 572 | - | (6 388) | 8 184 |
| IT equipment | 46 001 | 17 516 | (17 127) | 46 390 |
| Computer | 2 | - | - | 2 |
| Property, plant & equipment | 5 810 | - | (2 076) | 3 734 |
| | 164 876 | 56 516 | (200 634) | 164 876 |
| 2016 | | | | |
| Furniture and fixtures | 61 999 | - | (34 111) | 27 888 |
| Motor vehicles | 222 041 | - | (151 438) | 70 603 |
| Office equipment | 19 294 | 5 992 | (10 714) | 14 572 |
| IT equipment | 3 735 | 46 156 | (3 890) | 46 001 |
| Computer | 2 | - | - | 2 |
| Property, plant & equipment | 1 923 | 4 368 | (481) | 5 810 |
| | 308 994 | 17 516 | (36 423) | 145 969 |

**THE TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)**

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | N\$ | N\$ |
| 3. TRADE AND OTHER RECEIVABLES | 44 149 | 253 444 |
| VAT | 21 199 | 253 444 |
| Other Receivables- Cuban Experts | 22 950 | - |
| 4. CASH AND CASH EQUIVALENTS | 47 029 739 | 42 376 280 |
| Current account | 172 938 | 105 824 |
| Call account | 46 856 801 | 42 270 456 |
| 5. CURRENT LIABILITIES | 34 684 395 | 33 726 911 |
| Accrued Leave Pay | 207 344 | - |
| Accrued expenses | 190 002 | 204 446 |
| Illegal grazing expenses in Kavango | 1,914 203 | 2 432 114 |
| Ongenga Settlement | 2 235 294 | - |
| Henties Bay Municipality | 3 000 000 | - |
| Aminuis Settlement | - | 2 220 042 |
| Gibeon Village Council | 13 987 292 | 536 355 |
| Khorixas Town Council | - | 361 602 |
| Klein Aub Settlement | - | 1 039 939 |
| Epukiro Pos 3 Services Construction | 6108 270 | 6 500 000 |
| Ndiyona Services Construction | 5 591 240 | 13 150 000 |
| MURD - Cuban Experts | | 5 831 663 |
| Association of Local Authorities | 1 450 750 | 1 450 750 |
| 6. REVENUE | 30 000 000 | 30 000 000 |
| Statutory income | 30 000 000 | 30 000 000 |
| 7. INVESTMENT REVENUE | 1 721 350 | 1 732 415 |
| Interest on current account | - | 33 721 |
| Interest on call account | 1 721 350 | 1 698 694 |
| 8. TAXATION | | |
| No provision has been made for tax as the Trust Fund is exempted from income tax. Refer to The Trust Fund Development and Equity Provisions Act 22 of 2000, Section 18. | | |

**THE TRUST FUND FOR REGIONAL DEVELOPMENT AND EQUITY PROVISIONS
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)**

| | 2016 | 2015 |
|---|------------------|--------------------|
| | N\$ | N\$ |
| 9. CASH GENERATED FROM/(UTILISED IN) | 2 185 041 | (2 651 093) |
| Net surplus/(deficit) for the period | 3 467 773 | (1 845 913) |
| Depreciation and amortisation | 36 424 | 200 634 |
| Investment income | (1 721 350) | (1 732 415) |
| Increase in trade and other payables | 209 291 | 532 967 |
| Decrease in trade and other receivables | 192 903 | 193 634 |