



AUDIT REPORT ON THE ACCOUNTS OF THE

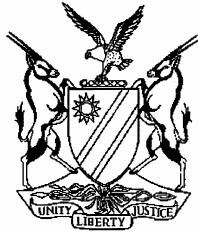
VOCATIONAL TRAINING FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005

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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 Vocational Training Fund for the financial year ended 31 March 2005, 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, February 2006

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VOCATIONAL TRAINING FUND OF NAMIBIA FOR THE FINANCIAL YEAR ENDED
31 MARCH 2005**

1. INTRODUCTION

The accounts of the Vocational Training Fund (hereinafter referred to as the Fund) for the year ended 31 March 2005 are being reported on in accordance with the provisions set out in the National Vocational Training Act, 1994 (Act 18 of 1994).

The firm Saunderson Theron and Partners of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991 (Act 31 of 1991) to audit the accounts of the Fund on behalf of the Auditor-General and under his supervision.

2. ESTABLISHMENT AND OBJECTIVES

2.1 Establishment:

The Fund was instituted in terms of Section 44(1) of the National Vocational Training Act (Act 18 of 1994) referred to as the "Act" in this report. The Fund originated from an amount of N\$ 3 060 797 from the former Labour Promotion Fund established in terms of the repealed Labour Promotion Fund and Administration Proclamation, (R69 of 1975) for the purpose as mentioned in the Act. The Fund may receive moneys from different sources as provided for in Section 44(2)(a) to (f) of the Act.

2.2 Objectives:

The objectives of the Fund are:

- 2.2.1 To support training in order to impart skills and knowledge.
- 2.2.2 To support employers to equip their workers with competency in order to improve quality, productivity and efficiency of the labour force.

2.3 Criteria for funding:

Financial assistance shall be given to train individuals or to institutions that:

- 2.3.1 train in accordance with the national training schemes;
- 2.3.2 provide apprenticeship training that follows the registered training schemes;
- 2.3.3 train workers and other specialized staff in the latest technology in accordance with the registered training schemes or approved curricula;
- 2.3.4 train persons receiving further education in the area related to their specialized fields, the training of instructors;
- 2.3.5 purchase, for example, machinery, equipment, tools and other materials in order to upgrade their training facilities;
- 2.3.6 provide training that follows national training schemes on capital works projects;

- 2.3.7 regional quotas;
- 2.3.8 gender;
- 2.3.9 social background of individual applicants;
- 2.3.10 disability of the applicant(s).

2.4 Financial assistance may be granted for the following:

- 2.4.1 Maintenance and traveling allowances approved by the Vocational Training Board to persons attending approved courses.
- 2.4.2 Fees for any person or employers who provide further education in respect of persons receiving such education in connection with their training (see 2.3.3).
- 2.4.3 Reimbursement to persons or employers of all part of the costs accrued to him/her in connection with assessment and/or the training of vocational trainees and such other employees as approved by the National Vocational Training Board. These may include cost of materials, equipment and remuneration during the training period.
- 2.4.4 Payment of grants or loans to persons, organizations or institutions providing training courses or training facilities approved by the Board.
- 2.4.5 Payment for the granting of loans to training projects and to persons, employers, institutions or organizations engaged in programmes for training persons in employment.
- 2.4.6 Financial assistance may be granted in the form of a loan, grant, payment for reimbursements of fees.

2.5 The following may benefit from the Fund:

The Board may identify priority-training programs relevant to the economic development of the country.

Employers engaged in training may be assisted to realize their annual training programmes that last not less than six months. The training programmes shall be submitted to the National Vocational Training Board for approval. Employers, organizations, persons and institutions intending to receive financial assistance shall complete the appropriate application forms.

2.6 Programmes that may not be funded:

- 2.6.1 Induction programmes. These do not include probation periods for apprentices.
- 2.6.2 Study tours and programmes not related to skills upgrading.
- 2.6.3 Training of Non-Namibians.

3. FINANCIAL STATEMENTS

The financial statements of the Fund, as published in the report are true reproductions of the originals signed by the Chairman and a member of the Control Board. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor General.

The abridged balance sheet at 31 March 2005, Annexure A, is a true reflection of the original.

The following annexures are also attached to this report:

- Annexure B - Income statement
- Annexure C - Cash-flow statement
- Annexure D - Notes to the financial statements

Figures are rounded off to the nearest Namibian Dollar.

4. SCOPE OF THE AUDIT

The Control Board of the 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, of 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 Control Board of the Fund in preparation of the financial statements and of whether the accounting policies are appropriate to the 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.

5. AUDIT OBSERVATIONS AND COMMENTS

5.1 Accounting records

As also reported in several previous reports, proper accounting records were yet again not maintained during the year under review.

5.2 Investments

During the year under review the Fund had investments to the value of N\$ 9 103 159 in 5-year investment policies. Access to the funds is limited and the early surrender of such long-term investments could result in substantial capital losses. The Fund realized a profit on these policies of N\$ 2 636 459.00. The cash resources should rather be utilized to achieve the objectives of the Fund as stated in paragraph 2.2, than for long-term investment purposes.

The auditors were unable to obtain proof that the necessary ministerial approval was obtained for the investment as required by Section 44(5) of the Act.

6. ACKNOWLEDGEMENT

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

7. AUDIT OPINION

The accounts of the Fund for the financial year ended 31 March 2005, summarized in Annexure A to D were audited by me in terms of the provisions of Section 44(4)(b) of the Act.

I certify that, in my opinion, the financial statements fairly present the financial position of the Fund at 31 March 2005 and the results of its operations and cash-flow for the year then ended.

WINDHOEK, February 2006

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VOCATIONAL TRAINING FUND

ANNEXURE A

BALANCE SHEET

as at 31 March 2005

	Notes	2005	2004
		N\$	N\$
ASSETS			
NON-CURRENT ASSETS		10 923 383	8 129 731
Held-to-Maturity investments	3	9 103 159	6 466 701
Held-for-Trading investments	4	1 820 224	1 663 030
CURRENT ASSETS			
Cash and cash equivalents	5	7 842 029	6 975 705
TOTAL ASSETS		18 765 412	15 105 436
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Accumulated funds		18 759 119	15 099 550
CURRENT LIABILITIES			
Accounts payable	6	6 293	5 886
TOTAL FUNDS AND LIABILITIES		18 765 412	15 105 436

ANNEXURE B

VOCATIONAL TRAINING FUND

INCOME STATEMENT

for the year ended 31 March 2005

	2005	2004
	N\$	N\$
INCOME	4 804 304	3 200 456
Interest received	564 584	606 243
Dividends received	7 325	7 082
Impairment on investments	2 636 460	-
Money value movements	95 935	86 431
Grant - Government of the Republic of Namibia	1 500 000	1 500 700
Eenhana Multipurpose Youth Centre	-	1 000 000
LESS: EXPENDITURE	1 144 735	1 079 635
Accounting fees	-	1 000
Audit fees	4 579	4 500
Bank charges	487	993
Consulting fees	-	65 175
General expenses	1 104 929	-
Impairment of investments	-	106 119
Professional fees	34 740	32 557
Workshop equipment: - Valombola Hotel School	-	869 291
SURPLUS for the year	3 659 569	2 120 821
ACCUMULATED FUNDS		
- at the beginning of the year	<u>15 099 550</u>	<u>12 978 729</u>
ACCUMULATED FUNDS		
- at the end of the year	<u>18 759 119</u>	<u>15 099 550</u>

VOCATIONAL TRAINING FUND

CASH FLOW STATEMENT

for the year ended 31 March 2005

	Notes	2005 N\$	2004 N\$
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash receipts from customers		4 804 304	2 594 213
Cash paid to suppliers and employees		1 708 912	1 078 249
Cash generated from operations	A	3 095 392	1 515 964
Investment income		564 584	606 243
		<u>3 659 976</u>	<u>2 122 207</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		-	-
		<u>3 659 976</u>	<u>2 122 207</u>
Cash and cash equivalents at the beginning of year		15 105 436	12 983 229
Net movement		3 659 976	2 122 207
Cash and cash equivalents at the end of year		<u>18 765 412</u>	<u>15 105 436</u>
Cash and cash equivalents consist of:			
Held-To-Maturity investments		9 103 159	6 466 701
Held-For-Trading investments		1 820 224	1 663 030
Cash in bank		7 842 029	6 975 705
		<u>18 765 412</u>	<u>15 105 436</u>

Note A:**CASH FLOW STATEMENT**

Reconciliation of surplus for the year to cash generated from operations

Net surplus for the year	3 659 569	2 120 821
Adjustments for:		
- Investment income	(564 584)	(606 243)
Operating profit/(loss) before working capital changes	<u>3 094 985</u>	<u>1 514 578</u>
Working capital changes		
- Increase/(decrease) in interest receivable	-	-
- Increase/(decrease) in accounts payable	407	1 386
Cash generated from operations	<u>3 095 392</u>	<u>1 515 964</u>

VOCATIONAL TRAINING FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

1. SUMMARY OF ACCOUNTING POLICIES

The annual financial statements of the Fund have been compiled on the historical cost convention, modified by the restatement of financial statements to the fair value except where otherwise stated.

The principal accounting policies are consistent with those applied in the previous year and comply with General Accepted Accounting Practices. The annual financial statements have been prepared in accordance with the requirements of the Fund's Act.

1.1 FINANCIAL INSTRUMENTS

Non-current investments are classified as held-for-trading and are measured at fair value. Investments in subsidiaries and associated are recognized at cost less impairment in the balance sheet.

Where an investment has been impaired, the impairment is recognized as an income/expense in the period in which the impairment is identified.

	<u>2005</u>	<u>2004</u>
	N\$	N\$

2. NET OPERATING PROFIT

Net operating profit is arrived at after taking into account the following items :

Revenue from :	4 804 304	3 200 456
Impairment on investments	2 636 460	-
Grant - Government of the Republic of Namibia	1 500 000	1 500 700
Eenhana Multipurpose Youth Centres	-	1 000 000
Dividends	7 325	7 082
Money value movement	95 935	86 431
Interest received	564 584	606 243

3. HELD-TO-MATURITY INVESTMENTS**9 103 159****6 466 701**

5 - Year investment policies	Date of Maturity:		
- Chequemate - SM654027	30.09.2005	751 053	132 473
- Chequemate - FU574130	01.11.2005	1 519 902	1 110 352
- Chequemate - DU574124	01.11.2005	5 479 546	3 928 881
- Fortune 2000 - ZU574744	01.10.2005	1 352 658	1 294 995

ANNEXURE D

VOCATIONAL TRAINING FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

	2005	2004
	N\$	N\$
4. HELD-FOR-TRADING INVESTMENTS	1 820 224	1 663 030
- Sanlam - Namibia Managed Conservative	1 820 224	1 663 030
5. CASH AND CASH EQUIVALENTS	7 842 029	6 975 705
- Current account	1 506 560	1 579 876
- Call account	6 335 469	5 395 829
6. ACCOUNTS PAYABLE	6 293	5 886
- Audit fees 2004/2005	6 293	4 886
- Provision for accounting fees 2004/2005	-	1 000