



AUDIT REPORT ON THE ACCOUNTS OF THE

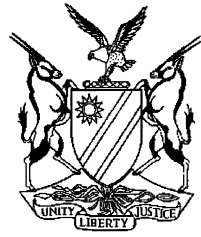
VOCATIONAL TRAINING FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

Published by authority

*Price (Vat excluded): N\$ 17.68
Report no: 492*

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 2006, 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, April 2007

**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 2006**

1. INTRODUCTION

The accounts of the Vocational Training Fund (hereinafter referred to as the Fund) for the year ended 31 March 2006 are being reported on in accordance with the provisions set out in the National Vocational Training Act, 1994 (Act 18 of 1994).

The firm Stier Vente Associates 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 The Fund originated from an amount of N\$ 3 060 797 from the former Labour Promotion Fund established in terms of the repealed Labour Promotion Fund and Administration Proclamation, (R69 of 1975) for the purpose as mentioned in the Act.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 specialised 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 specialised 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 travelling 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, organisations 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 organisations 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 economic development of the Country.

Employers engaged in training may be assisted to realise 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, organisations, 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 2006, 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 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 not maintained during the year under review.

5.2 Investments

The investments held-to-maturity were received during the year under review and the investments held-for-trading were withdrawn during the year. There was no documentation for the investments and all the information had to be obtained from the third parties.

5.3 Current bank account

An amount of N\$ 3 576 144 was held in a current account at year-end earning interest at low rates.

6. ACKNOWLEDGEMENT

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

7. AUDIT OPINION

The accounts of the Fund for the financial year ended 31 March 2006, summarised in Annexures A to D were audited by me in terms of the provision 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 2006 and the results of its operations and cash flow for the year then ended.

WINDHOEK, April 2007

**JUNIUS ETUNA KANDJEKE
AUDITOR-GENERAL**

**VOCATIONAL TRAINING FUND
BALANCE SHEET AT 31 MARCH 2006**

	Note	2006 N\$	2005 N\$
FIXED ASSETS			
Non-current assets			
Property and equipment	6&7	1 828 168	928 020
Investments	2	4 937	10 923 383
		1 833 105	11 851 403
Current assets			
Cash and cash equivalents	3	24 293 537	7 842 029
TOTAL ASSETS		26 126 642	19 693 432
FUNDS AND LIABILITIES			
Capital and reserves			
Funds unspent at the beginning of the year		19 687 139	15 099 550
Surplus for the year		6 433 210	4 587 589
Funds unspent at the end of the year		26 120 349	19 687 139
Current liabilities			
Trade and other payables	4	6 293	6 293
TOTAL EQUITY AND LIABILITIES		26 126 642	19 693 432

**VOCATIONAL TRAINING FUND
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
	N\$	N\$
INCOME		
Grant - Government of the Republic of Namibia	4 470 106	1 500 000
Grant - Social Security Commission	2 000 000	-
OTHER INCOME		
Interest received	909 537	564 584
Dividends received	5 932	7 325
Profit on investments	599 604	2 636 460
Refund for prior year expense paid	46 200	-
Money value movements	-	95 935
	8 031 379	4 804 304
EXPENDITURE		
Administration fees	18 891	34 740
Audit fees	10 266	4 579
Bank charges	1 972	487
Deed of transfer	125 615	-
General expenses	-	176 909
Interest paid	217	-
Repairs and maintenance	2 996	-
Training Authority offices	812 785	-
Training and workshop expenses	625 427	-
	1 598 169	216 715
SURPLUS FOR THE YEAR	6 433 210	4 587 589

**VOCATIONAL TRAINING FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

	Note	<u>2006</u> N\$	<u>2005</u> N\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		7 121 842	4 804 304
Cash paid to suppliers and employees		(2 498 100)	(1 708 912)
Cash generated by operations	5	4 623 742	3 095 392
Interest paid		(217)	-
Interest received		909 537	564 584
Net cash inflow from operating activities		<u>5 533 062</u>	<u>3 659 976</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement on investments – (increase)/decrease		<u>10 918 446</u>	<u>(2 793 652)</u>
Net cash inflow/(outflow) from investing activities		<u>10 918 446</u>	<u>(2 793 652)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		16 451 508	866 324
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>7 842 029</u>	<u>6 975 705</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>24 293 537</u>	<u>7 842 029</u>

VOCATIONAL TRAINING FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

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 practice. The annual financial statements have been prepared in accordance with the requirements of the Funds Act.

Financial instruments

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

Where an investment has been impaired, the impairment is recognised as a profit / loss in the period in which the impairment is identified.

	2006	2005
	N\$	N\$
2. INVESTMENTS		
5 Year investment policies: Date of maturity:		
- Chequemate - SM654027 30.09.2005	-	751 053
- Chequemate - FU 574130 01.11.2005	-	1 519 902
- Chequemate - DU574124 01.11.2005	-	5 479 546
- Fortune 2000 - ZU574744 01.10.2005	-	1 352 658
- Sanlam - Namibia Managed Conservative (901686)	4 937	1 820 224
	4 937	10 923 383

3. CASH AND CASH EQUIVALENTS

Bank Windhoek Limited - cheque account	3 576 144	1 506 560
Bank Windhoek Limited - call account	20 717 393	6 335 469
	24 293 537	7 842 029

VOCATIONAL TRAINING FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006	2005
	N\$	N\$
4. TRADE AND OTHER PAYABLES		
Provision for audit fees	6 293	6 293
5. NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of surplus for the year to cash generated by operations:		
Net surplus for the year	5 533 062	3 659 569
Adjusted for:		
- interest paid	217	-
- interest received	(909 537)	(564 584)
Operating income before working capital changes	4 623 742	3 094 985
Increase in trade and other payables	-	407
Cash generated by operating activities	4 623 742	3 095 392
6. FIXED ASSETS		
The following assets were acquired and expensed in the current year:		
Alarm system		11 971
Installation and purchase of computers and server		110 371
Office furniture and fittings		35 685
Airconditioning units and installation		199 522
BP 250 PABX telephone system		45 548
Improvements: Oshakati Guest Hotel		497 051
		900 148

VOCATIONAL TRAINING FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	2006
	N\$
7. OSHAKATI GUEST HOTEL	
An amount of N\$ 1 500 000,00 was received for the construction of a Hotel school. The following expenses occurred for the above purpose at the Oshakati Guest Hotel:	
Grant received	1 500 000
Expenses prior to 2005/6	(928 020)
Expenses for 2005/6:	
- Swimming pool and water feature	(146 613)
- Airconditioning	(34 150)
- Curtains	(93 285)
- Retention on boundary wall built	(16 880)
- Construction expenses	(206 123)
General expenses 2005/6	(497 051)
Funds remaining	74 929