

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS
OF THE VOCATIONAL TRAINING FUND OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2003**

1. INTRODUCTION

The accounts of the Vocational Training Fund (hereinafter referred to as the Fund) for the year ended 31 March 2003 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 The Fund originated from an amount of N\$ 3 060 797 from the former Labour Promotion Fund established in terms of the repealed Labour Promotion Fund and Administration Proclamation (R69 of 1975) for the purpose as mentioned in the Act.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, 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 2003, 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 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 the previous report, proper accounting records were not maintained during the year under review.

5.2 Expenditure

The auditors were unable to obtain adequate supporting documentation for consulting fees amounting to N\$ 120 000.00 as disclosed in the income statement in Annexure B.

5.3 Investments

During the year under review the Fund invested N\$ 8 610 000 in 5-year investment policies. Access to the funds is limited and the early surrender of the long-term investments could result in substantial capital losses. The Fund incurred a loss on these policies of N\$ 929 205. Cash resources should rather be utilized to achieve the objectives of the Fund as stated in paragraph 2.2.

It was noticed that N\$ 4 925 073 was kept in the current account of the Board compared with the total expenditure for the year which amounted to N\$ 1 552 996. It is recommended that the Board should research the current market to determine the most cost effective way to invest money within the parameters of the Act. The main purpose of the exercise should be to earn more interest on unutilized cash.

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 National Vocational Training Act 1994, (Act 18 of 1994).

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 2003, 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 2003 and the results of its operations and cash-flow for the year then ended.

WINDHOEK, April 2005

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

VOCATIONAL TRAINING FUND

BALANCE SHEET

as at 31 March 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		N\$	N\$
ASSETS			
Non-current assets			
Investments	3	8 058 156	8 986 361
Current assets			
Cash and cash equivalents	4	4 925 073	536 260
TOTAL ASSETS		<u>12 983 229</u>	<u>9 522 621</u>
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated funds		12 978 729	9 518 066
Current liabilities			
Accounts payable	5	4 500	4 555
TOTAL FUNDS AND LIABILITIES		<u>12 983 229</u>	<u>9 522 621</u>

ANNEXURE B

VOCATIONAL TRAINING FUND

INCOME STATEMENT

for the year ended 31 March 2003

	Notes	2003 N\$	2002 N\$
INCOME	1	5 013 659	3 514 776
Interest received		311 659	384 552
Polytechnic		-	1 101 467
Subsidy - Government of the Republic of Namibia		4 702 000	2 022 578
Other income		-	6 179
LESS: EXPENDITURE		1 552 996	1 190 927
Audit fees		4 500	4 555
Bank charges		233	373
Consulting fees		120 000	457 316
Courier and postages		58	-
Impairment of investments		928 205	-
Training		-	143 310
Workshop equipment:			
- Nimt Vocational Training Centre		500 000	-
- Rundu Vocational Training Centre		-	105 000
- Okakarara Vocational Training Centre		-	140 000
- Zambezi Vocational Training Centre		-	340 373
SURPLUS for the year		3 460 663	2 323 849
ACCUMULATED FUNDS			
- at the beginning of the year		<u>9 518 066</u>	<u>7 194 217</u>
ACCUMULATED FUNDS			
- at the end of the year		<u><u>12 978 729</u></u>	<u><u>9 518 066</u></u>

ANNEXURE C

VOCATIONAL TRAINING FUND

CASH FLOW STATEMENT

for the year ended 31 March 2003

	Notes	2003 N\$	2002 N\$
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash receipts from customers		4 702 000	3 130 224
Cash paid to suppliers and employees		(1 553 051)	1 149 082
Cash generated from operations	A	3 148 949	1 981 142
Investment income		311 659	384 552
Net cash inflow from operating activities		<u>3 460 608</u>	<u>2 365 694</u>
Cash and cash equivalents at the beginning of year		9 522 621	7 156 927
Net movement		<u>3 460 608</u>	<u>2 365 694</u>
Cash and cash equivalents at the end of year		<u>12 983 229</u>	<u>9 522 621</u>
Cash and cash equivalents consist of:			
5 - Year investment policies		8 058 156	8 986 361
Cash in bank		4 925 073	536 260
		<u>12 983 229</u>	<u>9 522 621</u>
<u>Note A:</u>			
CASH FLOW STATEMENT			
Reconciliation of surplus/(deficit) for the year to cash generated from operations			
Net surplus/(deficit) for the year		3 460 663	2 323 849
Adjustments for:			
- Investment income		(311 659)	(384 552)
Operating profit/(loss) before working capital changes		<u>3 149 004</u>	<u>1 939 297</u>
Working capital changes			
- (Increase)/decrease in interest receivable		-	37 290
- Increase/(decrease) in accounts payable		(55)	4 555
Cash generated from operations		<u>3 148 949</u>	<u>1 981 142</u>

VOCATIONAL TRAINING FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

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 Act.

1.1 FINANCIAL INSTRUMENTS

Non-current investments are classified as held-for-trading and are measured at fair value.

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

2. NET OPERATING PROFIT

	2003	2002
	N\$	N\$
Net operating profit is arrived at after taking into account the following items :		
Revenue	5 013 658	3 514 776
Subsidy – Government of Namibia	4 702 000	2 022 578
Other	-	6 179
Polytechnic	-	1 101 467
Interest received	311 658	384 552

3. HELD-TO-MATURITY INVESTMENTS

	8 058 156	8 986 361
5-Year investment policies		
- Chequemate - SM654027	5 366 115	6 373 922
- Fortune 2000 - ZU574744	1 207 205	1 112 439
- Sanlam - Namibia Managed Conservative (901686)	1 484 836	1 500 000

The market value of the investments at 31/03/03 could not be determined.

4. CASH AND CASH EQUIVALENTS

- Current account	4 925 073	536 260
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5. ACCOUNTS PAYABLE

- Audit fees 2002/2003	4 500	4 555
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