

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VOCATIONAL TRAINING FUND OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2004**

1. INTRODUCTION

The accounts of the Vocational Training Fund (hereinafter referred to as the Fund) for the year ended 31 March 2004 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 The Fund originated from an amount of N\$ 3 060 797 from the former Labour Promotion Fund established in terms of the repealed Labour Promotion Fund and Administration Proclamation (R69 of 1975) for the purpose as mentioned in the Act.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 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, 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 2004, 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 several previous reports proper accounting records were, yet again, 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\$ 60 000.00 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\$ 106 118.85. Cash resources should rather be utilized to achieve the objectives of the Fund as stated in paragraph 2.2.

Yet again 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 2004, 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 2004 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 2004

	Notes	2004 N\$	2003 N\$
ASSETS			
NON-CURRENT ASSETS			
Held-to-Maturity Investments	3	8 129 731	8 058 156
Held-for-Trading Investments	4	6 466 701	6 573 320
		1 663 030	1 484 836
CURRENT ASSETS			
Cash and cash equivalents	5	6 975 705	4 925 073
		6 975 705	4 925 073
TOTAL ASSETS		15 105 436	12 983 229
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Accumulated funds		15 099 550	12 978 729
		15 099 550	12 978 729
CURRENT LIABILITIES			
Accounts payable	6	5 886	4 500
		5 886	4 500
TOTAL FUNDS AND LIABILITIES		15 105 436	12 983 229

ANNEXURE B

VOCATIONAL TRAINING FUND

INCOME STATEMENT

for the year ended 31 March 2004

	Notes	2004	2003
		N\$	N\$
INCOME	1	3 200 456	5 013 659
Interest received		606 243	311 659
Dividends received		7 082	-
Subsidy – Government of the Republic of Namibia		-	4 702 000
Money value movements		86 431	-
Grant - Government of the Republic of Namibia - Valombola Hotel School		1 500 700	-
Eenhana Multipurpose Youth Centre		1 000 000	-
LESS: EXPENDITURE		1 079 635	1 552 996
Accounting fees		1 000	-
Audit fees		4 500	4 500
Bank charges		993	233
Consulting fees		65 175	120 000
Courier and postages		-	58
Impairment of investments		106 119	928 205
Professional fees		32 557	-
Workshop equipment:			
- Nimt Vocational Training Centre		-	500 000
- Valombola Hotel School		869 291	-
SURPLUS for the year		2 120 821	3 460 663
ACCUMULATED FUNDS			
- at the beginning of the year		12 978 729	9 518 066
ACCUMULATED FUNDS			
- at the end of the year		15 099 550	12 978 729
Accumulated funds comprise of:			
Vocational Training Fund		13 468 840	12 978 729
Valombola Hotel School		630 710	-
Eenhana Multipurpose Youth Centre		1 000 000	-
		15 099 550	12 978 729

ANNEXURE C

VOCATIONAL TRAINING FUND

CASH FLOW STATEMENT

for the year ended 31 March 2004

	Notes	<u>2004</u>	<u>2003</u>
		N\$	N\$
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash receipts from customers		2 594 213	4 702 000
Cash paid to suppliers and employees		1 078 249	(1 553 051)
Cash generated from operations	A	1 515 964	3 148 949
Investment income		606 243	311 659
Net cash inflow from operating activities		<u>2 122 207</u>	<u>3 460 608</u>
Cash and cash equivalents at the beginning of year		12 983 229	9 522 621
Net movement		2 122 207	3 460 608
Cash and cash equivalents at the end of year		<u>15 105 436</u>	<u>12 983 229</u>
Cash and cash equivalents consist of:			
Held-To-Maturity investments		6 466 701	6 573 320
Held-For-Trading investments		1 663 030	1 484 836
Cash in bank		6 975 705	4 925 073
		<u>15 105 436</u>	<u>12 983 229</u>
Note A:			
CASH FLOW STATEMENT			
Reconciliation of surplus/(deficit) for the year to cash generated from operations			
Net surplus/(deficit) for the year		2 120 821	3 460 663
Adjustments for:			
- Investment income		(606 243)	(311 659)
Operating profit/(loss) before working capital changes		<u>1 514 578</u>	<u>3 149 004</u>
Working capital changes			
- Increase/(decrease) in accounts payable		1 386	(55)
Cash generated from operations		<u>1 515 964</u>	<u>3 148 949</u>

VOCATIONAL TRAINING FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2004

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. 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 an expense in the period in which the impairment is identified.

	2004	2003
	N\$	N\$
2. NET OPERATING PROFIT		
Net operating profit is arrived at after taking into account the following items :		
Revenue	3 200 456	5 013 658
Subsidy from Government	-	4 702 000
Grant - Government of the Republic of Namibia - Valombola Hotel School	1 500 700	
Eenhana Multipurpose Youth Centre	1 000 000	-
Dividends	7 082	-
Money value movement	86 431	-
Interest received	606 243	311 658
3. HELD-TO-MATURITY INVESTMENTS	6 466 701	6 573 320
5 - Year investment policies		
Date of maturity:		
- Chequemate - SM654027	30.09.2005	132 473
- Chequemate - FU574130	01.11.2005	1 110 352
- Chequemate - DU574124	01.11.2005	3 928 881
- Fortune 2000 - ZU574744	01.10.2005	1 294 995
4. HELD-FOR-TRADING INVESTMENTS	1 663 030	1 484 836
- Sanlam - Namibia Managed Conservative (901686)	1 663 030	1 484 836

The market value of the investments at 31/03/04 could not be determined.

ANNEXURE D**VOCATIONAL TRAINING FUND****NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 March 2004 (continued)**

	2004	2003
	N\$	N\$
5. CASH AND CASH EQUIVALENTS	6 975 705	4 925 073
- Current account	1 579 876	4 925 073
- Call account	5 395 829	-
6. ACCOUNTS PAYABLE	5 886	4 500
- Audit fees 2003/2004	4 886	4 500
- Provision for accounting fees	1 000	-