



# ANNUAL REPORT OF THE DEPARTMENT OF LABOUR

1 April 2011 - 31 March 2012





labour

Department:  
Labour  
REPUBLIC OF SOUTH AFRICA

# ANNUAL REPORT OF THE DEPARTMENT OF LABOUR

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**Minister Mildred Oliphant**  
Minister of Labour

“ It is my privilege and honour to submit to you the Annual Report of the Department of Labour for the period 1 April 2011 to 31 March 2012, in terms of the Public Finance Management Act, 1999. ”



**NPT Nhleko**  
Director-General of Labour



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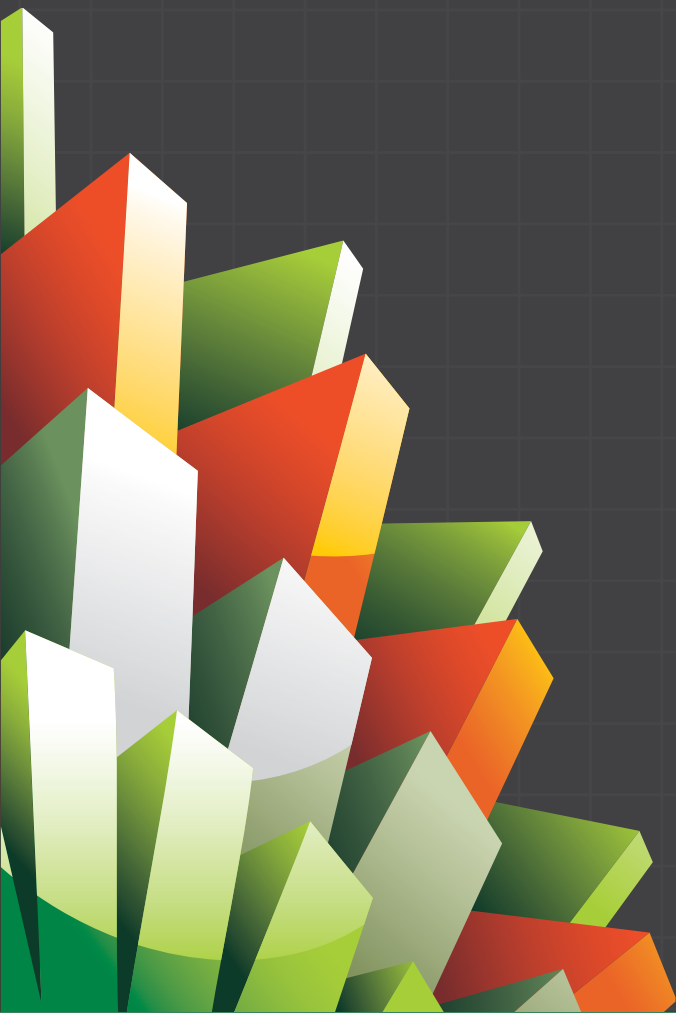
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[GENERAL INFORMATION]  
**SECTION**

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# [GENERAL INFORMATION]

## [Vision, Mission and Values]

### 1. Our Vision

The Department of Labour will strive for a labour market which is conducive to investment, economic growth, employment creation and decent work.

### 2. Our Mission

Regulate the South Africa labour market for a sustainable economy through:

- Appropriate legislation and regulations
- Inspection, compliance monitoring and enforcement
- Protection of human rights
- Provision of Employment Services
- Promoting equity
- Social and income protection
- Social dialogue.

### 3. Our Values

- We treat employees with care, dignity and respect
- We respect and promote:
  - Client centred services
  - Accountability
  - Integrity and ethical behaviour
  - Learning and development
- We live the Batho Pele Principles
- We live the principles of the Department's Service Charter
- We inculcate these values through our performance management system.



Minister of Labour  
**MN Oliphant, MP**



Director-General of Labour  
**NPT Nhleko**



Labour Policy  
and Industrial Relations  
Deputy Director-General  
**L Kettleidas**



Public Employment  
Services  
Deputy Director-General  
**S Morotoba**



Unemployment Insurance  
Fund  
(Commissioner)  
Deputy Director-General  
**TB Seruwe**



Chief Operations Officer  
**CDM Mutloane**



Inspection and  
Enforcement Services  
Deputy Director-General  
**PS Nxawe**



Compensation Fund  
(Commissioner)  
Deputy Director-General  
**SS Mkhonto**



Corporate Services  
Deputy  
Director-General  
**L Molebatsi**



Chief Financial Officer  
**BE Maduna**

# ORGANISATIONAL STRUCTURE TOP LEADERSHIP

## INSTITUTIONS REPORTING TO THE EXECUTIVE AUTHORITY

- Advisory Council for Occupational Health and Safety
- Commission for Conciliation Mediation and Arbitration (CCMA)
- Commission for Employment Equity (CEE)
- Compensation Board
- Employment Conditions Commission (ECC)
- National Economic Development and Labour Council (NEDLAC)
- Productivity SA
- Unemployment Insurance Board

## [LEGISLATIVE MANDATE]

The Department of Labour's legislative framework is informed by the South African Constitution, Chapter 2, Bill of Rights: Section 9, to ensure equal access to opportunities; Section 10, promotion of labour standards and fundamental rights at work; Section 18, Freedom of association; Section 23, To ensure sound labour relations; Section 24, To ensure an environment that is not harmful to the health and wellbeing of those in the workplace; Section 27, To provide adequate social security nets to protect vulnerable workers; Section 28, To ensure that children are protected from exploitative labour practices and not required or permitted to perform work or services that are inappropriate for a person of that child's age or their well-being, education, physical or mental health or spiritual, moral or social development is placed at risk; and Section 34, Access to courts and access to fair and speedy labour justice.

The Department administers the following legislation:

Legislation	Purpose
Labour Relations Act 66 of 1995 (LRA);	The Labour Relations Act (LRA), Act 66 of 1995 aims to promote economic development, social justice, labour peace and democracy in the workplace.
The Basic Conditions of Employment Act 75 of 1997 (BCEA);	The purpose of this Act is to advance economic development and social justice by fulfilling the primary objects of this Act which are a) to give effect to and regulate the right to fair labour practices conferred by section 23(1) of the Constitution (i) by establishing and enforcing basic conditions of employment; and (ii) by regulating the variation of basic conditions of employment; b) to give effect to obligations incurred by the Republic as a member state of the International Labour Organisation.
The Employment Equity Act 55 of 1998 (EEA);	The purpose of the Act is to achieve equity in the workplace, by a) promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and b) implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, to ensure their equitable representation in all occupational categories and levels in the workforce.
The Unemployment Insurance Act 30 of 1996 (UIA);	The purpose of this Act is to provide for- a) the payment of contributions for the benefit of the Unemployment Insurance Fund; and b) procedures for the collection of such contributions.
The Occupational Health and Safety Act 85 of 1993 (OHSA);	The Occupational Health and Safety Act aims to provide for the health and safety of persons at work and for the health and safety of persons in connection with the activities of persons at work and to establish an advisory council for occupational health and safety.
The Compensation for Occupational Injuries and Diseases Act 130 of 1993 (COIDA)	To provide for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases; and to provide for matters connected therewith.
National Economic Development and Labour Council Act, 35 of 1994 (NEDLAC)	To provide for the establishment of a national economic, development and labour council; to repeal certain provisions of the Labour Relations Act, 1956; and to provide for matters connected therewith.
Skills Development Act (Act no 97 of 1998 [SDA] as amended) Employment Services Provisions	The sections of the SDA that remained with the Department of Labour when the President transferred skills functions to the Department of Higher Education and Training (DHET) provides for the regulation of Employment Services and for workplace productivity and competitiveness promotion.

# [POLICY MANDATE]

The mandate of the Department is: To regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at: improved economic efficiency and productivity; creation of decent employment; promoting labour standards and fundamental rights at work; providing adequate social safety nets to protect the vulnerable workers; sound labour relations; eliminating inequality and discrimination in the workplace; enhancing occupational health and safety awareness and compliance in the workplace; and Give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises which is balanced with the promotion of decent employment.

**The Department is also responsible for the administration and effective functioning of the following labour market institutions:**

- **Productivity South Africa (PSA):** Productivity SA aims to develop and enhance the productive capacity in South Africa by continuously improving labour practices in South Africa. It works to build institutional capacity through sound project management skills, and through developing working relationships with other governmental agencies.
- **National Economic Development and Labour Council (NEDLAC):** A statutory social dialogue body, with its constituency comprising labour organisations, business organisations, government departments, and community groups. The organisation serves as a forum where the social partners can come together to discuss and develop public finance and monetary policy, labour market policy, trade and industrial policy, and development policy.
- **The Commission for Conciliation, Mediation and Arbitration (CCMA):** An independent body established by the Labour Relations Act, No. 66 of 1995. The CCMA promote social justice and fairness in the workplace by providing high-quality, ethical, innovative and cost-effective dispute management and dispute resolution services.

**The following represents the target clients and beneficiaries of the Department's services and labour market information:**

- Employers
- Employees
- Unemployed and under-employed
- Private Employment Agencies
- Trade unions and trade union federations
- Employer organisations.

**The core functions and services rendered by the Department are focused on:**

- **Public Employment Services (PES):** The main functions of the Employment Services are to obtain vacancies and identify other opportunities so as to facilitate the entry and re-entry of work-seekers into the labour market. Employment Services therefore has to be supported by two main pillars: The 'Employer Services' and 'Job Seeker Services'. The key services include: (i) Placement of work seekers; (ii) Career Information and Guidance; (iii) Special Labour market (employment) programmes; (iv) Regulatory functions including registration and monitoring of Private Employment Agencies; and (v) Administration of income protection services- disbursement of unemployment and compensation for injuries and diseases benefits
- **Inspection and Enforcement Services:** Inspection and Enforcement Services are aimed at ensuring a fair and equitable labour market where all players adhere to the provisions of legislation that governs the labour market. The main functions of the inspectorate are: (i) To conduct workplace inspections and audit of Accredited Inspection Authorities (AIAs) to monitor and enforce compliance with labour legislation; (ii) To provide advice, educate and give technical information and support services to empower both workers, employers and stakeholders and to prevent labour disputes and workplace accidents; (iii) To investigate workplace health and safety incidents once reported.
- **Labour Policy and Industrial Relations (LPand IR):** Labour Policy and Industrial Relations branch supervises Policy Research, Labour Market Information and Statistical Services including regulation of labour and employer organisations and Bargaining Councils, deals with all the Department's responsibilities and obligations in relation to the International Labour Organisation and other international and regional bodies which the government of South Africa has formal relations, and also the effective functioning of the CCMA and NEDLAC.

# [ENTITIES REPORTING TO THE MINISTER]

The following entities report to the Minister of Labour:

Name of public entity	Mandate	Outputs	Current annual budget (R thousand)	Date of next evaluation
<b>Unemployment Insurance Fund</b>	<b>The Unemployment Insurance Fund (UIF)</b> contributes to the alleviation of poverty in South Africa by providing short-term unemployment insurance to all workers who qualify for unemployment related benefits. The Fund is financed by a dedicated tax on the wage bill	Collection of unemployment insurance contributions and payment of benefits to qualifying contributors		
<b>Compensation Fund</b>	<b>The Compensation Fund's (CF)</b> main objective is to provide compensation for disability, illness and death resulting from occupational injuries and diseases	Medical and compensation benefits		
<b>Productivity SA: Productivity SA (PSA)</b>	<b>Productivity SA</b> is mandated by Government, Organised Labour and Organised Business to improve the productive capacity of the economy and thus contribute to South Africa's socio-economic development and competitiveness	<ul style="list-style-type: none"> <li>• Products and services of assisted companies world class and competitive</li> <li>• Productivity and competitiveness awareness is high and embraced in South Africa</li> <li>• Capacitated SMMEs contribute to sustainable employment creation</li> <li>• Jobs saved in distressed companies</li> <li>• Productivity research reports for selected sectors produced.</li> </ul>		



**Minister Mildred Oliphant**  
Minister of Labour

## [MINISTER'S STATEMENT]

It is a pleasure to present the Department of Labour's Annual Report for 2011/12 in terms of the Public Finance Management Act (PFMA).

This Report is presented at a time when the employment situation has improved marginally with a net employment growth of about 300 000 jobs between the first quarters of 2011 and 2012. While we welcome this improvement, it does not mean that we are out of the woods yet. There are approximately 4.5 million persons that have been actively seeking employment in the South African labour market which should make us double our efforts to make the difference through a basket of interventions – particularly led by the Public Employment Services Branch.

The year under review saw a sharp decline in working-days lost due to strike action. While this signals a more stable industrial relations environment in general, there are, however, concerning developments in labour relations in the platinum industry in the North West in particular. In conjunction with sister departments, this situation will call for the Department to provide decisive leadership in months ahead.

Progress has been made during the year in finalising key labour market legislative reforms that deal with amendments to the Labour Relations Act and the Basic Conditions of Employment Act. Amendments to the Employment Equity Act and the new Employment Services Bill will be finalised during the coming year.

Change to our labour legislation will provide an important framework for reform to certain practices in the labour market. This framework will have to be complemented by changes to the way the Department provides services to the employed, under-employed, as well as employers and the unemployed.

The overview of the organisational environment of the Department indicates a number of challenges that face the organisation. Key interventions have been launched during the year, with a view to improving service delivery. These will have to be pursued in the coming year and measurable progress will have to be made.

I would like to take this opportunity to extend my sincere thanks and appreciation for the sterling work and commitment from all the employees of the Department led by the Director-General. We also received warm support from members of Parliament and our social partners and for that we are grateful. It would be amiss not to thank the public entities reporting to the Department for their contributions.

In whatever we do, we should always remember that the interests of our people come first and with this in mind, we should recommit ourselves to serve and be true to the ideals our forefathers espoused especially in the seminal Freedom Charter.

**MN Oliphant, MP** | Minister of Labour  
| Executive Authority of the Department of Labour







**NPT Nhleko**  
Director-General of Labour

## [ACCOUNTING OFFICER'S OVERVIEW]

In this third report within the Medium-Term Strategic Framework 2010 – 2015, the Department reflects on the extent to which it is continuously carrying its mandate to transform and regulate the labour market to ensure our contribution to the creation of decent work and sustainable livelihoods. The Department has, in this financial year, realigned our objectives and resources to contribute effectively to Government's strategic priorities and service delivery outcomes that are set for the Department of Labour during the 2011 to 2012 period.

The Department has, and will continue to, realign strategic objectives and resources to step-up compliance with our laws, regulations and human resources systems for effective control in the 2012/2013 financial year. Our major focus in the upcoming financial year is to strengthen our institutional capacity and ensure that we refine and give better definition of our strategic and performance objectives, in line with Government's Medium-Term Expenditure Framework (MTEF).

In sustaining the unqualified audit opinion, the Department has, for the past two consecutive years in a row, maintained that unqualified audit opinion. As we advance to consolidate on our efforts and achievements, the Department will step up measures in consolidating our labour laws, regulations and our Human Resources systems.

Over the next three years, the Department will still intensify its focus on efforts on repositioning the Department's institution for a better response to service delivery, as well as ensuring accessibility of our service delivery points, such as our labour centres and our virtual services. The Department will still intensify its focus on the following service delivery outcomes and strategic objectives:

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Service delivery outcome	The Department's Strategic Objectives
Service delivery outcome 4: Decent employment through inclusive economic growth	1: Contribute to decent employment creation 2: Promote equity in the labour market 3: Protecting vulnerable workers 4: Strengthening social protection 5: Promoting sound labour relations 6: Monitoring the impact of legislation
Service Delivery Outcome 11: Creating a better South Africa and contributing to a better and safer Africa in a better world.	7: Strengthening multilateral and bilateral Relations
Service Delivery Outcome 12: An efficient, effective and development-orientated public service and an empowered and inclusive citizenship	8: Strengthening the institutional capacity of the Department

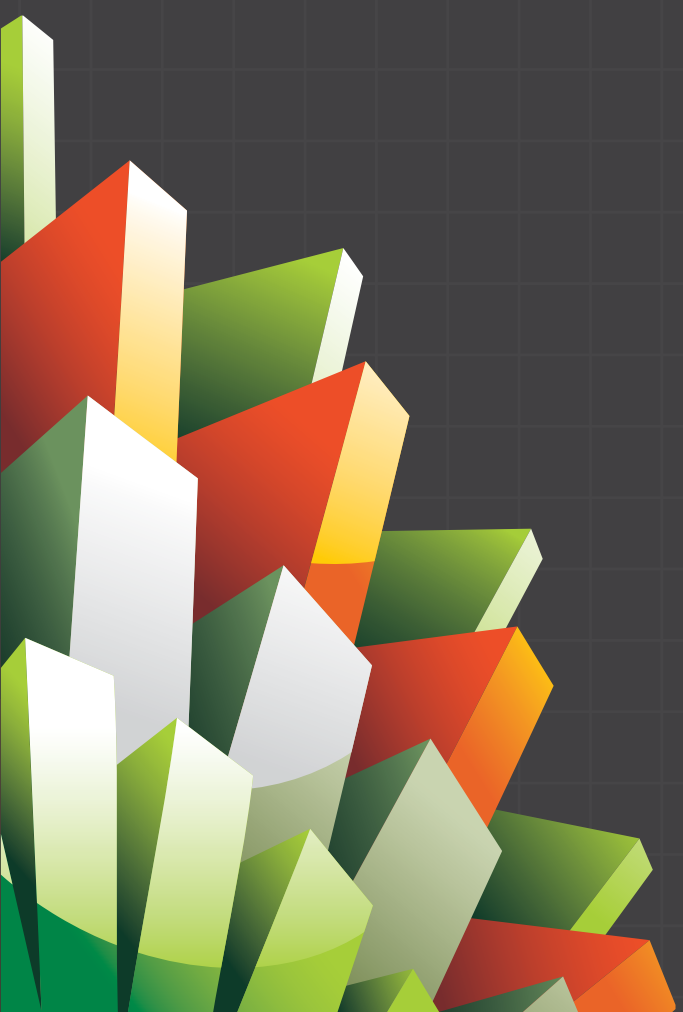
The Department hereby acknowledges the contributions of our staff and the leadership, despite the micro and macro labour market, as well as the Global Economy constraints overall.

The staff and management will continue to contribute to the cause of common good in our collective contribution to a better life for all.

**Mr. Nkosinathi Nhleko** | Director-General of Labour

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[INFORMATION ON  
PREDETERMINED OBJECTIVES]  
**SECTION**

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21	Overview of the organisational environment for 2011/12		
22	Key policy developments and legislative changes		

# [OVERALL PERFORMANCE]

## 2. INFORMATION ON PREDETERMINED OBJECTIVES

In the medium-term, the Department of Labour focused mainly on **Outcome 4**: Decent employment through inclusive economic growth, and two other outcomes: **Outcome 11**. Create a better South Africa and contribute to a better and safer Africa and World; and **Outcome 12**: An efficient, effective and development orientated public service and an empowered and inclusive citizenship. To address these strategic priorities, the Department identified the following strategic objectives:

SERVICE DELIVERY OUTCOMES AND OUTPUTS	STRATEGIC OBJECTIVES (KRAs)	KEY PERFORMANCE INDICATORS
<b>Outcome 4:</b> Decent employment through inclusive economic growth <b>Outputs:</b> 4.1 Making our growth more labour absorbing 4.2. Reducing youth unemployment 4.3. Raising our international competitiveness 4.4. Analysing the cost structure of the SA economy 4.5. Reviewing support for small business 4.6. Expanding our Public Works Programme	<b>KRA 1:</b> Contribution to employment creation	Number of registered job-seekers and job opportunities on the Employment Services System for South Africa (ESSA) per year  Percentage of job-seekers placed in reported job opportunities
	<b>KRA 2:</b> Promote equity in the labour market	Employment equity implementation and enforcement mechanisms strengthened
	<b>KRA 3:</b> Protecting vulnerable workers	Sectoral determinations published for residual and emerging vulnerable workers  Number of workplaces inspected and percentage thereof complying with legislation  Percentage of labour complaints and disputes resolved as per service delivery standard
	<b>KRA 5:</b> Strengthening social protection	Number of UI and COID claims finalised as per service delivery standard  Decrease in occupational injuries and diseases
	<b>KRA 6:</b> Promoting sound labour relations	Manage the implementation of the Labour Relations Act, 1995  Reduction in productivity time lost due to labour disputes/strikes
<b>Outcome 11.</b> Create a better South Africa and contribute to a better and safer Africa and World	<b>KRA 4:</b> Strengthening multilateral and bilateral relations	Participation in the ILO Governing Body and the ILC ensured  Multilateral and bilateral commitments and agreements entered into, honoured

[12]

SERVICE DELIVERY OUTCOMES AND OUTPUTS	STRATEGIC OBJECTIVES (KRAs)	KEY PERFORMANCE INDICATORS
<p><b>Outcome 12:</b> An efficient, effective and development orientated public service and an empowered and inclusive citizenship.</p> <p><b>Outputs:</b></p> <p>12.1 Service delivery quality and access</p>	<p><b>KRA 7:</b> Strengthening the capacity of labour market institutions</p>	<p>Monitor performance of the CCMA and NEDLAC against their strategic objectives</p>
	<p><b>KRA 8:</b> Monitoring the impact of legislation</p>	<p>The impact of the Department's strategic plan and programmes on stated goals and objectives researched and reported on</p>
	<p><b>KRA 9:</b> Strengthening the institutional capacity of the Department</p>	<p>Improve service quality and access:</p> <ul style="list-style-type: none"> <li>• Reduction in waiting time at service points</li> <li>• Improve turn-around time for services rendered</li> <li>• Reduction in distances travelled to access service points</li> <li>• Percentage of customer complaints successfully resolved within 14 days</li> </ul>

The Department, in the 2011/12 financial year focused on the following strategic programmes:

- **Labour law amendments.** We reviewed and submitted or will be submitting to Parliament amendments to various legislation (Basic Conditions of Employment Act, Employment Equity Act, Labour Relations Act, Unemployment Insurance Act and Occupational Health and Safety Act).
- **Re-building public employment services.** We promote a policy environment for the provision of public employment services which will enable Government to maintain a database of job-seekers and job opportunities, as well as matching and placement of job seekers. The Department during the 2011/12 financial year consulted with stakeholders and presented the Bills to Parliament.
- **Implementation of Decent Work Country Programme.**
- **Strengthening of Department of Labour inspectorate.** The Labour inspectorate system was strengthened to monitor and enforce compliance with legislation to ensure that decent work principles are adhered to and address vulnerability in the labour market.
- **Reduce inequality and discrimination in the labour market** through effective compliance monitoring and enforcement of the Employment Equity Act.
- **Improved access to income protection services** (CF and UIF) including reintegration of workers into the labour market.

## 2.1.1 Voted Funds

Programme	Main Appropriation R'000	Adjusted/ Final Appropriation R'000	Actual Amount Spent R'000	(Over)/Under Expenditure R'000
Administration	697 228	707 033	704 270	2 763
Inspection and Enforcement Services	386 726	375 749	375 749	0
Public Employment Services	296 146	332 719	332 194	525
Labour Policy and Industrial Relations	601 358	601 882	594 909	6 973
<b>Total</b>	<b>1 981 458</b>	<b>2 017 383</b>	<b>2 007 122</b>	<b>10 261</b>
Responsible Minister	Minister of Labour, MN Oliphant, MP			
Administering Department	Department of Labour			
Accounting Officer	NPT Nhleko			

## 2.1.2 Aim of vote

The aim of the Department of Labour is to play a significant role in reducing unemployment, poverty and inequality, through policies and programmes developed in consultation with role players and aimed at; improved economic efficacy and productivity, skills development and employment creation; sound labour relations; eliminating inequality and discrimination in the workplace; and alleviating poverty in the workplace; as well as to play a significant role in improving employment and protecting and improving workers' rights and benefits.

[14]

## 2.1.3 Summary of Programmes

### PROGRAMME 1: ADMINISTRATION:

Provide management, strategic and administrative support services to the ministry and the department.

### PROGRAMME 2: INSPECTION AND ENFORCEMENT SERVICES

Ensure the implementation of and compliance with Department of Labour policies and programmes through monitoring, evaluation and inspections.

### PROGRAMME 3: PUBLIC EMPLOYMENT SERVICES

Assist companies and workers to adjust to changing labour market conditions. Regulate private employment agencies.

### PROGRAMME 4: LABOUR POLICY AND INDUSTRIAL RELATIONS

Facilitate the establishment of an equitable and sound labour relations environment and the promotion of South Africa's interests in international labour matters through research, analysing and evaluating labour policy, and providing statistical data on the labour market, including providing support to institutions that promote social dialogue.

## 2.1.4 Key strategic objectives achievements

STRATEGIC OBJECTIVE 1: CONTRIBUTE TO EMPLOYMENT CREATION	
PERFORMANCE INDICATORS	OVERALL ACHIEVEMENTS
Employment Services (ES) Policy, related regulations and guidelines in place by end of March 2012	The Employment Services Bill was approved and published for public comments and is currently at NEDLAC for discussion with stakeholders.
Number of work-seekers registered on the Employment Services for South Africa System per year assessed and profiled into different categories	553 883 work-seekers were registered on the system and 222 956 (40%) were assessed and profiled into different categories compared to 472 179 work-seekers registered in 2010/2011
Increase number of work-seekers placed/referred to opportunities and other services	96 505 work-seekers were placed/referred to opportunities and other services compared to the 559 060 on 2010/2011
Numbers of workers in companies in distressed sectors provided with assistance	4 applications were received from companies in distressed sectors and processed within 30 working days, and 1 344 workers provided with assistance
Number of people from designated groups placed in training and income generating opportunities - Youth, Women and PWD	The number of people from designated groups were placed in training in the following categories: Youth 28 339: women 17 055, and People with Disabilities 608
Approved policy and legal framework for Sheltered Employment/Service Products Factories (SEF)	The legal provision for the establishment of the Sheltered Employment Factories (SEF) is contained in the ES Bill currently at NEDLAC. A Memorandum of Agreement (MoA) was signed with National Treasury to appoint a service provider to undertake SEF 2nd phase business case
Increased sales of goods from service products leading to more intake of people with disabilities into SEF	The sales of goods from service products increased by 1.72%, however no additional people with disabilities were employed by SEF  1.47% increase in sales/orders placed by Government Departments
Number of enterprises facing risk of closure and jobs at risk of being lost saved through social plan interventions	15 165 jobs were saved in enterprises facing risk of closure and jobs at risk of being compared to 13 533 saved by the end of March 2011
Number of companies whose productivity improves through Productivity SA assistance.	275 companies were assisted by Productivity South Africa (PSA) to improve their productivity
Number of SMME managers trained and assisted to manage matters related to intellectual property	2 842 SMME Managers were trained and assisted to manage matters related to intellectual property compared to 2 707 in 2011
Number of job opportunities created in programmes and labour absorbing sectors through UIF/CF mandated Social Responsibility Investment funds	Two (2) initiatives were approved: <ul style="list-style-type: none"> <li>• MICT Seta: initiative to train 1 000 beneficiaries on ICT training focusing on end-user computing, technical support and systems support.</li> <li>• Telkom/MICT Seta: initiative to train 850 beneficiaries on Fundamentals of IT, Advance IT, Electrical Technicians (refrigeration introduction and systems)</li> </ul>
Number of jobs saved through social plan intervention	15 165 jobs saved
Percentage of total mandated Social Responsibility Investment (SRI) invested by UIF/CF	78.35% of mandated SRI invested by the end of March 2012.  The actual SRI investment in 2012 is R2 549 billion against a target of R2 277 billion.  The total investment portfolio as at 31 March 2012 stands at R65 billion.
Number of companies assisted to facilitate constructive dialogue between social partners, managers and workers, to improve productivity, per annum	275 companies assisted

STRATEGIC OBJECTIVE 2: PROMOTE EQUITY IN THE LABOUR MARKET	
PERFORMANCE INDICATORS	OVERALL ACHIEVEMENTS
Employment Equity Act (EEA) and its regulations amended	The Employment Equity Bill was approved and published for public comments and is currently at NEDLAC for discussion with stakeholders
Number of JSE listed companies and ordinary designated employers inspected and reviewed to achieve 80% compliance with EE legislation	41 JSE and 179 ordinary designated employers were inspected and subjected to the DG review and a 76% compliance rate was achieved
Income differentials assessed to determine race and gender disparities in salaries	58 Income differentials assessed to determine race and gender disparities in salaries
Code of Good Practice and Technical Assistance Guidelines on HIV and AIDS reviewed and amended	The Code on HIV and AIDS and the World of Work reviewed and finalised. Advisory letter sent to Minister on 28 March 2012 by the Commission for Employment Equity for publication.
STRATEGIC OBJECTIVE 3: PROTECTING VULNERABLE WORKERS	
BCEA amended	Bills were approved by Cabinet and submitted to Parliament. Information sharing sessions conducted country wide
Number of Civil Society Organisations that protect vulnerable workers strengthened and supported financially	Seven organisations have completed their projects. Only one organisation is still busy
Inspect and audit 130 000 workplaces (targeting vulnerable sectors) to achieve 80% compliance rate within 90 days of inspection	172 300 workplaces (targeting vulnerable sectors) were inspected against a target of 130 000 with 74% compliance rate achieved within 90 days of inspections
Percentage of labour complaints resolved within 14 days of receipt at registration services	81% (110 610 out of 135 807) labour related complaints were resolved within 14 days of receipt at registration services, compared to 75% (116 131 out of 120 566) in 2010/11.
Number of Sectoral Determinations reviewed and extended to cover more vulnerable sectors	Taxi Sectoral Determination published on 27/06/11 (GG 34392), Contract Cleaning Sectoral Determination published 28/11/11 (GG 34798), Domestic Worker Sectoral Determination published on 28/11/2011 (GG 34797), Farm Worker Sectoral Determination published 18/01/2012 (GG 34947), Forestry Worker Sectoral Determination published 18/01/2012 (GG 34946)
STRATEGIC OBJECTIVE 4: STRENGTHENING MULTILATERAL AND BILATERAL RELATIONS	
Decent Work Country Programme (DWCP) Projects in priority output areas identified, agreed on with social partners, implemented and reported on	The priority projects were identified, Steering Committee and Technical Committee were established and meet regularly to monitor implementation of DWCP priority outputs and areas
Ensure compliance with the International Labour Organisation's (ILO) constitutional requirements in terms of Article 19 and 22 of the Constitution of the ILO	<p><b>Article 19 and 22 reports were submitted to the ILO.</b></p> <p>Article 19: Questionnaire on Social Security Conventions:</p> <ul style="list-style-type: none"> <li>Social Security (Minimum Standards) Convention, 192 (No. 102)</li> <li>Employment Promotion and the Protection against Unemployment Convention, 1988 (No. 168)</li> </ul> <p>Recommendations:</p> <ul style="list-style-type: none"> <li>Income Security Recommendation, 1944 (No. 67)</li> <li>Medical Care Recommendation, 1944 (No. 69)</li> </ul> <p>Article 22</p> <ol style="list-style-type: none"> <li>Statistics of Wages and Hours of Work Convention, No. 63</li> <li>Freedom of Association and Protection of the Right to Organise and Collective Bargaining Convention, No. 87</li> <li>Right to Organise and Collective Bargaining Convention, No. 98</li> <li>Equal Remuneration Convention, No. 100</li> <li>Discrimination (Employment and Occupation) Convention, No. 111</li> <li>Tripartite Consultation (International Labour Standards) Convention, No. 144</li> </ol>



STRATEGIC OBJECTIVE 5: STRENGTHENING SOCIAL PROTECTION	
PERFORMANCE INDICATORS	OVERALL ACHIEVEMENTS
Conduct inspections in the identified industries exposing workers to silica dust	213 workplaces in industries exposing workers to silica dust were inspected and audited
Reduce incidents and injuries in the four high-risk sectors (iron and steel, construction, chemicals, and agriculture and forestry) by conducting audits and blitz inspections	Inspections and audits were conducted in the high-risk industries as follows: 722 in the Iron and Steel Sector, 1 003 in the Construction Sector, 144 in the Chemical Sector and 1 338 in Agriculture and Forestry Sector
Roving safety representative programme implemented to promote knowledge and awareness of occupational health and safety to workers and employers in the agricultural sector	Roving safety representative programme has been implemented in Mpumalanga and Limpopo
STRATEGIC OBJECTIVE 6: PROMOTING SOUND LABOUR RELATIONS	
Collective agreements extended within 90 days of receipt of request	24 collective agreements were dealt with at an average turnaround time of 57 days
Decision to register new labour organisations taken within 90 days	144 were dealt with at an average turnaround time of 104 days
STRATEGIC OBJECTIVE 8: MONITORING THE IMPACT OF LEGISLATION	
Impact of the Department's Strategic Plan on stated goals and objectives researched and reported on. Implementation of RME agenda 2 continues with the following projects: 1. Evaluation of the NDSII, 2. UIF client satisfaction survey, 3. UIF non-compliance in the taxi, domestic and catering sectors 4. Assessment of registration, recruitment and selection services in ESSA	The following research projects were completed 1. Evaluation of the NDSII, the research into the evaluation of NDSII indicators to establish the impact of the strategy was finalised and 1 seminar for dissemination held. 2. The following completed research projects were disseminated through different workshops in 2011/12: • UIF client satisfaction survey • UIF non-compliance in the taxi, domestic and catering sectors • Assessment of registration, recruitment and selection services in ESSA. 3. A study on the assessment of three sectors considered to be high-risk in terms of Occupational Health and Safety was finalised as part of the RME 2 agenda. This project looked at various occupational safety issues in the agriculture, construction and iron and steel sectors of the economy. 4. The following project was requested by SARS-to look at the impact of second hand imported vehicles in the South African economy in terms of employment and compliance with labour legislations. The study was conducted and completed and the report submitted. 5. The following research projects (Noise induced hearing loss and Taxi Sectoral Determination) were requested in 2011 as priority studies for the 2011 year to feed into Departmental intervention programmes were requested and procurement done and projects started in 2011: • Noise Induced Hearing Loss- aimed at establishing the prevalence and levels of noise induced hearing loss and strategies put in place by companies in the iron and steel industry to reduce and to prevent hearing loss of employees working in the industry. • Taxi Sectoral Determination- is aimed at establishing the impact of the determination that was introduced by the Department of Labour to regulate the industry and to also look at the impact of other Government programmes and processes introduced in the transport sector which may have affected the taxi industry somehow, these include the taxi recapitalisation, the BRT and many others.
Annual Labour Market Review produced and labour market trends analysed and linked to the Department's intervention	Labour Market Review was developed and submitted.

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STRATEGIC OBJECTIVE 9:	
PERFORMANCE INDICATORS	OVERALL ACHIEVEMENTS
Percentage of vacancy rate reduced with a specified period of time	The vacancy rate in the Department has been reduced to 7.28% (554 out of 7 611 posts) as on 31 March 2012, compared to the 8.59% as on March 2011
Percentage of women, youth and people with disabilities (PwD) employed in line with the EE Plan	37.8% (31 out of 82 employees at Senior Management Service level) women are employed in Senior Management Service (SMS) as on 31 March 2012. 40% (2 830 out of 7 057 filled posts) youth are employed in the Department as on 31 March 2012.  2.6% (184 out of 7 057 filled posts) of the employees in the Department are people with disabilities as on 31 March 2012. It should be noted, however, that the Department has exceeded the national target of 2% for the employment of people with disabilities in the Public Service
100% of customer complaints attended to within 14 days of receipt/increased	98% (5 434 out of 5 517) of the complaints lodged through the Presidential Hotline were resolved within the specified timeline
Number of service delivery points accessible in line with geographic norms and standards	The accessibility study project led by the Department of Public Service and Administration is being piloted in the KwaZulu-Natal and Gauteng Provinces. The progress is as follows:-  <ul style="list-style-type: none"> <li>• Current footprint/ map, location, types and sizes of the service delivery points have been compiled</li> <li>• Information on ownership of service delivery points (state owned or leased premises) has been provided</li> <li>• Proposed norms and standards in terms of the type of service delivery points, travelling distances, client volumes, population density and transport nodes are currently being tested.</li> </ul> <p>The final report with geographic norms and standards as well as the implementation plan is due in August 2012.</p>
Business Processes streamlined and standardised to improve turn-around time and response time at service points	The standardised business processes and procedures for collection of performance information as well as the implementation plan in labour centres have been completed and are in the approval process
Percentage of finalised fraud cases received and detected	A total number of 15 (100%) cases have been received for the period of 2011/2012 and 13 (86%) have been finalised
Communication campaign profiling legislative amendments	The national public briefings on legislative amendments were profiled broadly in the electronic and print media resulting in well attended briefing sessions. The briefing sessions were preceded by a successful media briefing on legislative amendments
Popularise wage adjustments and conditions of employment in the domestic and farm workers sectoral determinations	The statements on wage adjustment in the farming and domestic sectoral determinations were released. These were followed by radio interviews on wage adjustments. Publications for domestic workers sector were designed, printed and placed on the website
Information Communication Technology Strategy developed and implemented	As-is assessment report was completed and signed-off in February 2012. This report is the first step and the most critical step in developing the ICT Strategy
ICT exit and services transfer plan implemented	The Exit and Services Transfer Plan was developed and approved

**MAJOR VARIANCES AND REASONS THEREOF CAN BE CATEGORISED INTO:**

Strategic Objective	Performance Indicator	Major variance and reasons thereof	Remedial Action to resolve the problem
Contribute to employment creation	Employment Services (ES) Policy, related regulations and guidelines in place	Bill currently at NEDLAC. Draft SOPs per each ES function developed. Delays arising from stakeholder consultation process	Consultation process to be fast-tracked
	Number of job-seekers placed/referred to opportunities	Target not achieved. High percentage of registered work-seekers with low level skills to match registered opportunities	Follow-up on training referrals to DHET
	Number of people from designated groups placed in training and income generating opportunities Youth, Women, PWD – 3%	Target not achieved. Low skills levels of registered candidates and insufficient opportunities	Follow-up on training referrals to DHET
	Increased sales of goods from Service Products leading to more intake of people with disabilities into SEF	Only 1,72% increase in sales was recorded. No additional people with disabilities were employed. Government did not place 30% of orders with SEF	Government support on SEF is included in the ES Bill
	Number of people with disabilities/ex-combatants and Compensation Fund beneficiaries assisted with skills for employment in the SEF	No learners were recruited for training. SEF was not accredited as an institution of learning	Accreditation process to be followed-up
	Number of people in SEF trained and placed in mainstream economy	No former employee with disabilities trained and placed. SEF was not accredited as an institution of learning	Accreditation process to be followed-up

## Overview of the service delivery environment for 2011/12

The Department operates in the context of a labour market that has seen the loss of approximately one million jobs following the economic recession of 2009. The unemployment rate has increased 3.4% to 25.3% and labour force participation has fallen as many people have stopped looking for work.

These job losses have resulted in a significant increase in unemployment insurance claims. The adverse economic climate also resulted in increased non-compliance and a rise in the number of labour disputes which led to more employees seeking service from the Department and its public entities.

The increase in atypical forms of employment since the mid-1990s has contributed to instability in the labour market and a potential increase in violation of labour standards and fair labour practices. It has been estimated that 28% of total employment is made up of atypical work, that is, employees contracted directly to companies on fixed-term contracts, sub-contractors and employees employed through employment agencies. While there is variation in the conditions of employment for those in atypical work, there can be no doubt that many experience insecurity of employment and abusive practices associated with labour law avoidance.

During 2010, there was also a dramatic increase in the number of workdays lost due to strike action. A number of these strikes occurred in parastatal organisations and in the Public Sector indicating new challenges for labour relations.

In the context of labour market challenges and legitimate expectations by employees for decent conditions of work and fair treatment, the Department of Labour, like many other Government Departments, is experiencing increasing pressures to transform and enhance its capacity for effective and efficient service delivery.

Some of the more pertinent challenges facing the delivery environment of the Department, despite our achievements in the third term of our Ministerial Programme of Action, include the following:

- The **first challenge** relates to an economy still revealing distinct characteristics. On the one hand it is characterised by an advanced, industrialised sector which is well developed, employs people who are skilled, is information and technologically driven, upholds most of the labour standards, and is, to a large extent, globally competitive. Whilst in many cases it is structurally disconnected from the formal economy, the informal or second economy is characterised by high levels of poverty, limited access to information and knowledge, information and communication technology. It is also characterised by poor labour standards and informal work relations;
- The **second challenge** facing us is unemployment, which has already been noted above as possibly the starkest indicator of the welfare challenge facing this society. There are two notable features of the country's unemployment crisis: Firstly the unskilled are simultaneously most likely to be the first to lose their jobs in periods of employment contraction and least likely to be hired in periods of employment expansion. Secondly, the youth, which currently constitute 75% of the unemployed, are the dominant, identifiable cohort within this group of long-term unemployed individuals.
- The **third challenge** still facing us relates to inequalities and unfair discrimination in the workplace. White people continue to dominate in terms of income, ownership, shareholding and management. Black people, Africans in particular, women and people with disabilities remain marginalised in relation to meaningful and influential participation in the economy, despite the introduction of progressive labour market policies since the advent of democracy in 1994 (**Please reflect on recent figures as reported in the EEC Report**).
- The **fourth challenge** relates to the changing nature of work. This is evident in the increased propensity amongst employers to switch away from permanent and full-time employment toward atypical forms of employment such as casual labour, part-time employment, temporary and seasonal work. Externalisation in the form of outsourcing and subcontracting is also on the rise, as the pressures in part of greater international competitiveness are felt by domestic firms.
- The **fifth challenge** relates to domestic as well as cross-border migration. The former describes a phenomenon whereby people from rural areas, most (though not all) of who are unskilled, migrate to urban areas in search of employment. The latter refers to economic refugees who have left their country and settled in the urban areas of South Africa, hoping to find employment. Both phenomena bear the risk of increasing the numbers of unemployed people in large urban centres, with the concomitant greater pressure on public services and utilities.

- The **sixth challenge** is that of strengthening labour market institutions and agencies; i.e. compliance monitoring and enforcement structures (Labour Inspectorate Services, CCMA and Bargaining Councils) and increasing their capacity to carry out their mandates. The need to further strengthen labour market institutions and collective bargaining, is particularly important in the context of heightened industrial action and labour disputes during 2010. Ensuring that the labour market has an efficient and effective system of occupational health and safety fully integrated with a system of compensation for occupational injuries and diseases is increasingly a priority. Non-compliance with labour market policies and programmes breeds unfair competition between enterprises and encourages those who comply to break the law in order to compete. There still remains key vulnerable sectors for which interventions are needed and new forms of vulnerability, mainly through atypical forms of work, are emerging. It is therefore imperative that the Department develop sufficient capacity and resources to supervise compliance with the legislative requirements on occupational health and safety and employment relations, to enforce relevant legislation, and to resolve labour disputes. The growth of the informal economy introduces a particular challenge in this regard.
- The **seventh challenge** relates to ensuring the development and implementation of effective instruments for constant performance monitoring and review of the impact of labour market policies on the economy. Our use and appreciation of information and communication technology systems has simply been inadequate, with manual forms of work reminiscent of the early seventies continuing to feature in our workflows decades later.

The challenges listed above are complex and expansive in nature and require integrated and multi-faceted interventions. The Department will, during the MTEF, embark on programmes and projects to address the above listed challenges and to respond to Service Delivery Outcome 12, output aimed at improved service quality and access, thereby repositioning our service delivery points closer to where our clients are, reviewing our business processes and enabling them through ICT infrastructure.

## 2.1.5 Overview of the organisational environment for 2011/12

The Department of Labour has an infrastructure network of 421 service points spread across the country. These include 126 labour centres, 31 satellite offices, 19 mobile offices, 153 visiting points, and also services provided in the 45 Thusong Service Centres. To deliver on its core business of public employment services and inspection and enforcement services, the Department has in the Provinces, including at service points, a staff complement of over 5 767. The Department will continue to transform the labour market and change the way we do business and transact with citizens by enhancing access to quality services and information aimed at improving the quality of life of all South African citizens. At the centre of our transformation agenda is ensuring that real customer insight is driving service design; reducing duplication and non-value adding customer contact; and optimising contact and channel management to make use of cheaper technology enabled channels and utilisation of government-wide infrastructure where appropriate.

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Key strategic interventions to improve service delivery quality and access will include:

- Transforming and repositioning the Department at head office, provincial office and labour centre level for improved and effective service delivery and monitoring the impact of our interventions
- Ensuring that service delivery access point-staff are empowered to deliver on the entire suite of the Department's services and information, inclusive of employment services, social security, and labour protection services, including dispute resolution etc. By developing and creating an environment for accountability for service delivery and correct attitudes and behaviour among staff, harnessing their energy and "softer" skills, the Department can effectively meet the needs of clients
- Reconfigure and reposition our service delivery points and streamline our key functions and processes to improve service quality and responsiveness to citizens' needs and expectations
- Improving access to quality services and information. We will develop a service delivery model and establish a network of integrated service delivery points as close as possible to the people, establish strategic partnerships for collaboration in creating and delivering value to citizens, and put in place a network of multiple access channels across the country
- The Employment Services System, the Inspection and Enforcement Case Management System, the Electronic Information Portal, the Business Desk and Integrated Client Database systems will be enhanced to respond to clients' needs and expectations for access to services and information
- Put in place measures to encourage continuous learning and improvement, and innovation by those serving at the point of contact with the client.

## 2.1.6 Key policy developments and legislative changes

### Court rulings

**a) Name of the court case: Director-General: Labour and Minister: Labour vs. Comair Limited**

The impact that the court ruling has on the institution's operations or service delivery is that the Department is currently unable to enforce certain provisions of the Employment Equity Act (the Act) against the employers that are not complying with the act. The ruling provides that the Director-General must take into account and weigh cumulatively a number of factors that are listed in section 42 of the Act before arriving at a decision that the employer is not complying. The difficulty that the Department has is that it is not possible to take into consideration all the factors that are listed in section 42.

**b) Name of the court case: Director-General: Labour vs. Twilight Breeze Trading 144 cc**

The impact that the case has on the institution's operations is that Labour inspectors are unable to issue the compliance order in respect of any amount payable to an employee as a result of a failure to comply with a provision of the Basic Conditions of Employment Act if- that amount has been payable by the employer to the employee for a period longer than 12 months before the expiry date on which a complaint was lodged to a labour inspector by or on behalf of the employee. The court ruled that section 70(d) of the Basic Conditions of Employment Act precludes a labour inspector from issuing the compliance order in the instance mentioned above.

**c) Name of the court case: "Kylie" v CCMA and Others (2010) 31 ILJ 1600 (LAC):**

Sex workers do enjoy the protection of the LRA and as a result the caseload of the CCMA will increase.

**d) Name of the court case: Bombardier Transportation (Pty) Ltd v Lungile Mtiya NO and Others (2010)**

8 BLLR 840 (LC): True jurisdictional challenges should be dealt with at conciliation stage whereas others, should be dealt with at arbitration stage.

**e) Name of the court case: Inzuzu I.T. Consulting (Pty) Ltd v CCMA and Others (unreported case P 487/2009)**

Cost orders may be awarded against the CCMA and its Commissioners in instances where it is found that the Commissioner has acted grossly negligent or reckless. The CCMA was granted leave to appeal this judgment as it may have serious cost implications.

**f) Name of the court case: Balasana v MIBCO (2010) 19 LC 1.11.30**

The Court held that in the event the record of the arbitration proceedings is not complete, the proper recourse is to remit the matter to the CCMA/Council to be heard afresh and often these orders direct that a Senior Commissioner should re-hear the matter.

### Revisions to legislative and other mandates

a) Unemployment Insurance Fund: Amendment of the Unemployment Insurance Act

b) Public Employment Services: Employment Services Act, Regulations and Guidelines developed and implemented

c) Compensation Fund: Development of a rehabilitation, re-integration and return-to-work policy for injured and diseased workers

d) Inspection and Enforcement Services: Repealing of the OHS Act, 85 Of 1993.

## 2.1.7 Departmental revenue, expenditure, and other specific topics

### Collection of Departmental revenue

The table below should be used to provide a breakdown of the sources of revenue:

Appropriation	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2011/12 Actual	% deviation from target
	R'000	R'000	R'000	R'000	R'000	%
Tax revenue						
(Specify)						
Non tax revenue	8 995	6 648	3 701	3 608	4 642	-28.66
Sales of capital assets (Capital revenue)	0	331	0		0	
(Specify)		Auction of 2 ministerial vehicles				
Financial transactions (Recovery of loans and advances)	19 868	5 937	5 335	7 193	2 995	58.36
<b>Total</b>	<b>28 863</b>	<b>12 916</b>	<b>9 036</b>	<b>10 801</b>	<b>7 637</b>	<b>29.29</b>

## 2.1.8 Transfer payments

The following public entities listed in Schedule 3 of the Public Finance Management Act, No. 1 of 1999 reported to the Minister of Labour, and separate Annual Reports and Financial Statements are published independently:

- Commission for Conciliation, Mediation and Arbitration (CCMA)
- Compensation Fund (CF)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Unemployment Insurance Fund (UIF).

In addition to the above-mentioned public entities, the Department also transfer funds to other entities in accordance with the Public Finance Management Act and these transfers are listed in the table below:

Name of institution	Amount transferred	Estimate expenditure
Transfers to Municipalities	51	51
Vehicle licence fees transferred to Municipalities	51	51
<b>Departmental Agencies and Accounts</b>	<b>542 182</b>	<b>542 184</b>
Compensation Fund	36 104	36 105
Unemployment Insurance Fund	0	1
Commission for Conciliation, Mediation and Arbitration	448 104	448 104
Productivity SA	34 059	34 059
National Economic Development and Labour Council (NEDLAC)	23 915	23 915
<b>Foreign Government/International Organisations</b>	<b>14 211</b>	<b>14 306</b>
International Labour Organisation (ILO)	13 672	13 672
ARLAC	539	634
<b>Non-Profit Institutions</b>	<b>82 734</b>	<b>83 258</b>
SA National Council for the Blind	75	287
Deaf Federation of South Africa (DEAFSA)	67	200
National Council for the Physically Disabled	56	235
Work Centres for the Disabled	58 785	58 785
Work Centres for the Blind	8 688	8 688
Strengthening Civil Society Fund	15 063	15 063
<b>Households</b>	<b>1 774</b>	<b>1 773</b>
Leave Gratuity	1 730	1 729
Retirement Benefit	0	0
Severance Package	0	0
Ex gratia payments	44	44
<b>Total Transfers and Subsidies</b>	<b>640 952</b>	<b>641 572</b>

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## 2.1.9 Capital investment, maintenance and asset management plan

### Asset Management

See the report of the Accounting Officer

## 2.1 Programme Performance

The activities of the Department of Labour are organised in the following programmes:

Programme 1: Administration

Programme 2: Inspection and Enforcement Services (IES)

Programme 3: Public Employment Services (PES)

Programme 4: Labour Policy and Industrial Relations (LPandIR)

# [Programme 1]

## [Administration]

### Programme overview

**Purpose:** Provide management, strategic and administrative support services to the Ministry and the Department.

**Programme Description:** The programme consists of the following sub-programmes:

#### 1. Ministry

#### 2. Management that includes the following:

- Office of the Director-General will provide administrative oversight for effective implementation of the Department's mandate and overall accounting oversight
- Office of the Chief Operations Officer will ensure effectiveness in all operations
- Internal Audit provides management and the Audit Committee with independent objective assurance that improves effectiveness of governance, risk management and control processes

#### 3. Corporate Services that includes:

- Human Resource Management ensures optimum and efficient utilisation and development of Human Capital and to provide an advisory service on matters pertaining to, organisational effectiveness and development, transformation management, individual performance management, sound employee relations, employee health and wellness, as well as effective and efficient recruitment, selection and placement services including research and development of human resources policies and practices
- Risk Management pro-actively manages / addresses risks that have a negative impact on the Department's performance
- Security Services renders security support aimed at protecting the Department's information, staff and assets
- Communication creates awareness about available services in the Department
- Legal Services exists to provide legal support services to the Department
- Office of the Chief Information Officer caters for the information and communications technology (ICT) needs and requirements of the Department
- Office of the Chief Financial Officer renders effective and efficient financial management and administrative support for the Department.

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Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Strategic Plan and Annual Performance Plan developed in line with NT Framework	Annual Performance Plan is tabled in Parliament within a month after tabling of the budget	<b>Achieved</b> – Strategic Plan 2012 – 2017 and APP 2012/13 approved by the Minister and tabled in Parliament on 7 March 2012	None
	Timeliness, relevance and quality of performance reports in line with NT Framework	Approved Performance information reports are tabled quarterly, during Mid-Term Review and Annual Evaluation	<b>Achieved</b> – All Quarterly Performance Reports were developed, approved and submitted to National Treasury.  Management Performance Assessment Tool (MPAT) self-assessment conducted and report submitted to the Department of Performance Monitoring and Evaluation	
	Number of service delivery points accessible in line with geographic norms and standards	Develop geographic norms and standards as well as an implementation plan	<b>Partially achieved</b> – The accessibility study project led by the Department of Public Service and Administration is being piloted in the KwaZulu-Natal and Gauteng. The progress is as follows:- <ul style="list-style-type: none"> <li>• Current footprint/ map, location, types and sizes of the service delivery points have been compiled.</li> <li>• Information on ownership of service delivery points (state owned or leased premises) has been provided</li> <li>• Proposed norms and standards in terms of the type of service delivery points, travelling distances, client volumes, population density and transport nodes are currently being tested. The final report with geographic norms and standards as well as the implementation plan is due in August 2012</li> </ul>	Project will be finalised after year-end.

## Sub-programme/programme: (Administration)

Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Business processes streamlined and standardised	Develop, standardised and streamlined business processes for integrated service delivery as well as an implementation plan	<b>Partially achieved</b> – The standardised business processes and procedures for collection of performance information as well as the implementation plan in labour centres have been completed and are in the approval process	Approved for implementation in the financial year 2012/13
	% compliance to Service delivery norms and standards increased	Service delivery norms reviewed by October 2011. Develop the Service Delivery Improvement Plan (SDIP) based on the review	<b>Achieved</b> – The service delivery norms (Service Delivery Improvement Plan) has been reviewed and submitted to DPSA in November 2011	None
	% of customer complaints attended to within 14 days of receipt	90% within 14 days	<b>Achieved</b> – 98% (5 434 out of 5 517) were resolved within timeline	None
	% of final reports issued as per timeframes indicated in the approved annual audit plan	80% final reports issued as per timeframes indicated in the approved annual audit plan	<b>Achieved</b> – A total of 88% (33 planned vs 29 actuals) of final reports were issued as per timeframes indicated in the approved annual audit plan	None
	Strategic risks monitored in line with risk appetite framework	Provide quarterly strategic risk monitoring reports within 30 days after the end of each quarter to the accounting officer	<b>Partially achieved</b> – The Department developed a risk appetite framework and prepared strategic risk monitoring reports in line with the framework. The strategic risk monitoring reports were not timeously submitted to the accounting officer	Delays in the finalisation of strategic risk monitoring reports
	% finalisation of the cases received and detected	85% of cases received or detected finalised by the year end	<b>Achieved</b> – A total number of 15 (100%) cases have been received for the period of 2011/2012 and 13 (86%) have been finalised.	None
	Pre-employment screening conducted	Finalised working agreements with all stakeholders (SAPS, Home Affairs and Credit Bureau)	<b>Achieved</b> – The Department has conducted pre-employment screening. During the year a total of 464 (81%) request were finalised against a request of 570. Two working agreements were finalised with two stakeholders (SAPS and the Department of Home Affairs) to assist with pre-employment.	None

Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	% Security vetting conducted within the Department	7% of staff in the Department vetted	<p><b>Partially achieved</b> – 3,5% against 7% of 7 057 staff in the Department were vetted by 31 March 2012.</p> <p>494 (7%) applications were forwarded to SSA and 250 (3,5%) clearance certificate were received from SSA.</p>	Budget constraints to develop the vetting unit in the Department
	Campaigns profiling the protection of vulnerable workers	Provide integrated communication support (media, advertising, exhibitions and publications) in the form of one campaign by March 2012	<p><b>Achieved</b> – The campaign using the print and electronic media profiled the Public Participation Programmes (PPP) of the Minister, and the Inspection and Enforcement Services Blitz inspections in the farming sector. This was coupled with a print and electronic marketing and advertising campaign of the PPP and the Blitz inspections in the farming sector in eight provinces. Posters, flyers, banners, bags and shirts were also produced in support of the IES “Road to Zero injuries and diseases seminar</p>	None
	Promote the products produced at the SEF	Produce 1 issue of the catalogue showcasing the products and rates of the products by October 2011	<b>Not achieved</b> – Layout and design is completed and the development of the catalogue is in progress	Due to capacity at SEF, the products codes were not yet available at the time of reporting
	Communication campaign profiling legislative amendments	Campaign (media, advertising, exhibition, publications) to inform and educate stakeholders about legislative amendments by March 2012	<p><b>Achieved</b> – The national public briefings on legislative amendments were profiled broadly in the electronic and print media resulting in well attended briefing sessions. The briefing sessions were preceded by a successful media briefing on legislative amendments</p>	None
	Popularise wage adjustments and conditions of employment in the domestic and farm workers sectors	Campaign to inform employers and employees about wage changes in the noted sectors by March 2012	<p><b>Partially achieved</b> – The wage adjustment campaign was not implemented; However statements on wage adjustment in the farming and domestic sectoral determinations were released. These were followed by radio interviews on wage adjustments. Publications for domestic workers sector were designed, printed and placed on the website</p>	Campaign not implemented due to budget constraints. Programmes to ensure availability of budget for initiatives with communication implications.

Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Popularise reports produced by RME	Launch of publications – Annual Labour Market Bulletin, Annual Industrial Action Report, Job Opportunity and Unemployment in the SA Labour Market	<b>Achieved</b> – All targeted publications were published	None
	Six monthly implementation reports submitted to the Department of Public Service and Administration (DPSA) on 30 September and 31 March of each year	50% of the MTEF HR Plan implemented and reported	<b>Achieved</b> – 54% (7 out of 13) of the MTEF HR Plan activities for 2011/12 have been implemented and reported	None
	% of women, youth and people with disabilities employed in line with the EE Plan	34% women employed in Senior Management Service (SMS), 43% youth and 3% people with disabilities employed in the Department by 31 March 2012	<p><b>Achieved</b> – 38.5% (32 out of 83 employees at Senior Management Service level) women are employed in Senior Management Service (SMS) as on 31 March 2012</p> <p><b>Partially achieved</b> – 40% (2 830 out of 7 057 filled posts) youth are employed in the Department as on 31 March 2012</p> <p><b>Partially achieved</b> – 2.6% (184 out of 7 057 filled posts) of the employees in the Department are people with disabilities as on 31 March 2012. It should be noted, however, that the Department has exceeded the national target of 2% for the Public Service for the employment of people with disabilities</p>	<p>None</p> <p>Officials at this level have moved to age group above 35 years and challenges with filling of posts due to SSA and SAQA</p> <p>Challenges with disclosure of status</p>
	% of vacancy rate reduced within a specified period of time	Vacancy rate reduced to below 8% by 31 March 2012	<b>Achieved</b> – The vacancy rate in the Department has been reduced to 7.28% (554 out of 7 611 posts) as on 31 March 2012	None

Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	% of staff trained in line with Workplace Skills Plan (WSP)	80% of the Department's staff trained in accordance with approved WSP by 31 March 2012	<b>Achieved</b> – 85.1% (5 927 out of 6 957 employees) of the Department's staff were trained in accordance with the approved WSP as on 31 March 2012	None
	% of mandatory posts that are job evaluated	95% of all mandatory posts evaluated and approved by 31 March 2012	<b>Achieved</b> – 100 % (75 out of 75 mandatory jobs) of all mandatory posts were evaluated and approved by 31 March 2012	None
	% of misconduct cases finalised within a prescribed period of time	70% of misconduct cases finalised in line with applicable prescripts by 31 March 2012	<b>Achieved</b> – 79% (216 out of 271 cases) of misconduct cases were finalised in line with the applicable prescripts as on 31 March 2012	None
	% of litigation against the department reduced	Reduce the number of new litigation cases against the Department by 60% in comparison to 2010/11	<b>Not achieved</b> – 2010/2011 B/F = 292 cases, 2011/2012 - received 367 (Q1-Q4). Difference = 75 (new cases) 66% increase	We do not have total control over this indicator hence we have changed it moving forward
	% of legal opinions finalised	90% of legal opinion requests finalised within five working days	<b>Partially achieved</b> – Legal opinion requests received = 64 finalised within five working days = 47 (73%)	Delays in consultation and lack of case management
	% of contract requests finalised	85% of contracts finalised within five working days	<b>Partially Achieved</b> – Contracts requests received (Q1-Q4)=106 Finalized within 5 working days=88(83%)	Delays in consultation and lack of case management.
	Implementation of the new ICT strategy	Approved ICT strategy by March 2012	<b>Partially Achieved</b> – As-is assessment report was completed and signed off in February 2012. This report is the first step and the most critical step in developing the ICT Strategy.	Work started late due to delays in sourcing the required IT capacity to assist with the development of the ICT Strategy
	Finalisation of the ICT feasibility study	Feasibility study on ICT service delivery options completed	<b>Achieved</b> – Feasibility study completed as part of As-is assessment report	None
	Exit and services transfer plan developed and implemented	Implementation of Exit and Services Plan	<b>Partially Achieved</b> – The Exit and Services Transfer Plan was developed and approved	The implementation of the Exit and Services Transfer Plan is in progress until the end of the IT-PPP contract in November 2012

## Sub-programme/programme: (Administration)

Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Ensure system functionality in respect of the basic accounting system	Financial system functional at all identified sites	<b>Achieved</b> – The Department of Labour’s financial system, namely the Basic Accounting System, is decentralised to all Provincial Offices. For the period April 2011 to March 2012, the financial system was operational at all sites of the Department.	None
	Recovery transaction instated for all in-service officials	10 Days Treasury Regulations Chapter 11.2: The Director-General of an institution must take effective and appropriate steps to timeously collect all money due to the institution including, as necessary	<b>Achieved</b> – Debts amounting to R1 397 084.88 relating to remuneration and allowances, were instated within 10 days and recovered from officials currently in the employ of the Department,	None
	Referral of debts collection to Legal Services	30 Days after notification	<b>Achieved</b> – In respect of disputed cases, 103 cases to the value of R4 928 094 were referred to Legal Services 30 days after the issue of notification, for further investigation and intervention which includes the referral of cases to the State Attorney	None
	Timely and accurate allocation of expenditure against the Department’s Vote as well as adherence to the safekeeping of financial records	All expenditure correctly allocated and substantiated by supporting documentation	<b>Achieved</b> – Preventative and detective mechanisms are in place to ensure that all expenditure is correctly allocated  Comprehensive financial record management performed at Head Office and Provincial Offices – financial inspections were conducted at Provincial Offices to verify control measures	None
	Annual Financial Statements submitted to Auditor-General and Treasury in correct format	90% compliance	<b>Achieved</b> – 100% compliance with Chapter 6 of the PFMA , as per the monitoring tool all Public-Entities submitted their financial statements on time and in the correct format	None



Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Percentage of compliance with Early Warning System reporting requirements	100% Compliance	<b>Achieved</b> – For the period April 2011 to March 2012, 100% of Early Warning System reports compiled and submitted within the required timeframes	None
	Planning of capital and maintenance projects on state owned buildings	31 July 2011	<b>Achieved</b> – Maintenance and capital projects were planned in consultation with the Department of Public Works. The budget of the projects was aligned with the MTEF process (31 July)  Tender documents in respect of Renovation and Maintenance Projects (RAMP) for two Sheltered Employment Factories were completed and will be awarded in 2012  RAMP for Head Office (Laboria House) – in progress and will continue for an additional six months during the 2012/13 financial year	None
	Planning of leases, Municipal Services and User Charges	31 July 2011	<b>Achieved</b> – The Department of Public Works pays all municipal services, leased accommodation and user charges for Government-owned buildings. All payments for Municipal Services, leased accommodation and user charges were done within the required timeframes.	None
	Monitoring of mobile labour centres, Departmental owned and subsidised vehicles	7th of every month	<b>Achieved</b> – All transport-related matters are monitored on a daily basis and reported to management on a monthly basis  Transport reports for the period April 2011 to 31 March 2012 were received from all Provincial Offices	None

Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Redirection of traffic offenses on Departmental owned vehicles	1 Day after receipt	<b>Achieved</b> – All traffic fines in respect of leased vehicles, Mobile Labour Centres and Departmental vehicles were referred to Provincial Offices within one day after receipt thereof.	None
	Development and implementation of policies and procedures which are aligned with the National Archives Act	30 September 2011	<b>Not Achieved</b> – This project will be continued in the next financial year – project plan in place and in the process to: <ul style="list-style-type: none"> <li>• Develop a record management system / file plan in line with the system implemented in the Department's Ministry office</li> <li>• Approval of the system / file plan by National Archives</li> <li>• Inform and train officials at Head Office and Provincial Offices, workshops will be held.</li> </ul>	Funding constraints
	Recording of invoices received by the Department	Daily	<b>Achieved</b> – Invoices received at the Department and Provincial Offices are recorded daily and processed timeously	None
	Effective and efficient asset management	Asset registers which comply in all aspects with the requirements as set out in the PFMA	<b>Achieved</b> – Asset registers comply with the PFMA requirements	None
	Safeguarding of physical assets	All assets bar-coded and location and user identified	<b>Achieved</b> – All new assets procured were bar-coded and captured on the Integrated Asset Management System (IAMS)	None

Sub-programme/programme: (Administration)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening the institutional capacity of the Department	Reconciliation of asset related records	Timely reconciliation of BAS/LOGIS and the asset register, monthly	<b>Achieved</b> – The Department performs manual reconciliations between BAS, Logis and IAMS to ensure that all expenditure are correctly allocated  The IAMS is a separate system not linked to Logis (Procurement System) or BAS (Financial Accounting System). The system (IAMS) is utilised for the tracking and controlling of Departmental assets which is populated with information and, for the period April 2011 to March 2012 reconciliations were completed monthly	None
	Effective and efficient asset management	Asset registers which comply in all aspects with the requirements as set out in the PFMA	<b>Achieved</b> – Asset registers comply with the PFMA requirements.	None
	Training of users as well as relevant committees on the Supply Chain Management Policies	30 June 2011	<b>Achieved</b> – A workshop was conducted for Logis-users on 2 June 2011. Additional training session was held on 17 November 2011 for Head Office officials.	None
	Conduct inspections at all provincial offices	July 2011 (3) August 2011 (3) September 2011 (3)	<b>Achieved</b> - As part of the Departments detective process, inspections were conducted at all nine provincial offices and completed in the third quarter. Provincial inspections commenced in July 2011 and the last inspection was concluded at the Provincial Office: Western Cape during the period 5-7 December 2011	None.
	DBAC to consider complying requests received accordance with check list	10 working days	<b>Achieved</b> – DBAC meetings were scheduled at predetermined dates and all the requests received were considered timeously	None.
	Placing orders after on receipt of requisition	Two days	<b>Achieved</b> – Orders for the procurement of goods and services were created within two working days on all correct and complete requisitions, which are captured and authorised on the system to adhere to the prescripts.	None

## [Programme 2]

# [Inspection and Enforcement Services]

### Programme overview

**Purpose:** To realise decent work by regulating non-employment and employment conditions through inspection and enforcement in order to achieve compliance with all labour market policies.

#### Programme description: The programme consists of the following sub-programmes:

**1. Management and Support Services:** Inspection and Enforcement Services manages the delegated administrative and financial responsibilities of the office of the Deputy Director-General: Inspection and Enforcement Services, and provides corporate support to line function sub-programmes within the Programme. Funding is mainly used for salaries and other personnel-related costs.

**2. Occupational Health and Safety** promotes health and safety in the workplace by regulating dangerous activities and the use of plant and machinery. Funding is mainly used for salaries and other personnel-related costs.

**3. Registration:** Inspection and Enforcement Services registers incidents relating to labour relations and occupational health and safety matters, as reported by members of the public, and communicates these to the relevant structures within the Compliance, Monitoring and Enforcement sub-programme for investigation. Funding is used for salaries and other personnel-related costs.

**4. Compliance, Monitoring and Enforcement** ensures that employers and employees comply with labour legislation through regular inspections and following-up on reported incidents. Funding is used for compensation of labour inspectors and other personnel related costs.

**5. Training of staff:** Inspection and Enforcement Services defrays all expenditure relating to staff-training within this Programme in order to easily identify this expenditure for reporting purposes.

**6. Statutory and Advocacy** gives effect to the legislative enforcement requirement and educate stakeholders on labour legislation. Funding is used for salaries and other personnel-related costs. (effective from 1 April 2013).

### Programme Strategic Objectives

#### Strategic Objective 2: Promote Equity in the workplace

2.1 Ensure transformation of the labour market by inspecting 200 workplaces (JSE listed and designated employers) in order to achieve 80% compliance with Employment Equity legislation by inspected designated employers by 2012/13:

**Baseline:** The present baseline level of performance is 43 JSE listed companies and 133 designated companies under DG review.

JSE listed companies	(60)
Designated employers	(140)

#### Strategic Objective 3: Protecting vulnerable workers

3.1 Ensure Decent Work principles are adhered to by conducting 130 000 inspections and achieve 80% compliance within 90 days (proactive and reactive) by 2012/13 with specific focus on:

**Baseline:** The baseline performance is 142 000 and the compliance is 77% as per Quarter 3 report

- The Private Security sector
- Agriculture
- Forestry sector
- Hospitality sector and
- Domestic worker sector

- Develop and implement sector specific advocacy and education programs
- Settle at least 70% of received labour related complaints within 14 days at Registration Services
- Conducting blitz inspections in the targeted sector
- Convene two Seminars per year targeting Private Security and Agriculture Sectors.

#### **Strategic Objective 4: Strengthening Social Protection**

5.1 Reduce incidents in the four high risk sectors (Iron and Steel, Construction, chemical and agriculture/forestry) through:

**Baseline:** None currently

- 20 audits per sector
- Conduct 1 blitz per sector
- One seminar per year (Chemical)

5.2 Promote the level of knowledge and awareness of occupational health and safety to employers and workers in the agricultural sector.

**Baseline:** The current baseline is successful implementation of the Roving Safety Representative Programme in two Provinces (Mpumalanga and Limpopo).

5.3 Reduce over exposure of workers to silica dust by 2012/13 by conducting inspections in 200 workplaces in Gauteng in the following industries:

**Baseline:** The current baseline is 43 workplaces

- Foundries (40 workplaces )
- Ceramics (20)
- Sandstone (20)
- Construction (30)
- Refractories (80)
- Sandblasting (10)

5.4 Convene a seminar on silicosis in the non-mining sector

**Baseline:** The current baseline is one seminar per sector.

5.5 Conduct base line study in 2012/13 on the extent of noise-induced hearing loss in the Iron and Steel industry.

**Baseline:** None

5.6 Legislative Amendments:

**Baseline:** None

- OHS Bill to be amended

**Strategic Objective 8:** Strengthening the institutional capacity of the Department

9.1 Develop and implement competency based and induction programmes:

**Baseline:** The current baseline is 115 IES officials trained in nine provinces

- Implement the competency programme for existing inspectors and an induction program for new inspectors (see HRD Strategy of the Department of Labour)
- Roll out the ILO training modules

9.2 Implement IES Strategy:

**Baseline:** None

- Inspection and Enforcement services capacity strengthened
- An efficient IES Case Management System in place.

9.3 Participation in the ILO and Nedlac relevant structures to ensure the ratification of relevant ILO Conventions:

**Baseline:** None

- Contribute in relevant workshops and technical committees as arranged/invited.

Sub-programme/programme: (IES)							
Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance		
		Target	Actual				
Promote equity in the labour market	Inspect JSE listed companies and ordinary designated employers to achieve 80% compliance with EE legislation	10 000 workplaces inspected JSE (60) Designated (140) Procedural (9 800)	<b>Achieved</b>				
			<b>76% (47 of 65) JSE workplaces inspected complied</b>				
			<b>Province</b>	<b>Target (JSE)</b>	<b>Actual (JSE)</b>		<b>Compliance (%)</b>
			EC	6	11		157.14
			FS	10	7		70
			GP	5	2		40
			KZN	12	6		50
			LP	11	11		100
			MP	12	12		100
			NC	18	12		67
			NW	4	0		0
			WC	4	4		100
			<b>NATIONAL</b>	<b>82</b>	<b>65</b>		<b>76.02</b>
<b>218 Designated workplaces inspected complied</b>							
<b>Province</b>	<b>Target (DES)</b>	<b>Actual (DES)</b>	<b>Compliance (%)</b>				
EC	14	20	142.8				
FS	21	21	100				
GP	20	38	190				
KZN	26	18	69.20				
LP	24	14	58.30				
MP	32	44	137.5				
NC	5	22	440				
NW	36	31	86.11				
WC	10	10	100				
<b>NATIONAL</b>	<b>188</b>	<b>218</b>	<b>147.10</b>				
<b>9 940 Procedural inspections concluded</b>							
<b>Province</b>	<b>Target (PROC)</b>	<b>Actual (PROC)</b>	<b>Compliance (%)</b>				
EC	400	538	134.50				
FS	720	800	111.11				
GP	2 000	2 404	120.20				
KZN	2 170	2 943	135.62				
LP	630	809	128.41				
MP	750	868	115.73				
NC	362	492	135.91				
NW	683	599	87.70				
WC	458	487	106.33				
<b>NATIONAL</b>	<b>8 173</b>	<b>9 940</b>	<b>121.62</b>				

Sub-programme/programme: (IES)																																																										
Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance																																																					
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Protecting vulnerable workers	Inspect 130 000 workplaces to achieve 80% compliance rate	130 000 inspections with 80%	<b>Not Achieved</b> 172 300 Routines inspections conducted and 74% compliance level achieved.																																																							
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	Conduct blitz inspections in targeted sectors	Conduct 15 000 blitz inspections in the targeted sector	<b>Achieved</b> 21 394 blitz inspections conducted  Conducted 11 600 blitz inspections in problematic sectors																																																							
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[40]



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## Sub-programme/programme: (IES)

Strategic Objective	Measure/ Indicator	Actual Performance against Target				Reason for Variance																																												
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Protecting vulnerable workers	Conduct blitz inspections in targeted sectors	Conduct 15 000 blitz inspections in the targeted sector	<table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Sector</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>NW</td> <td>100</td> <td>Iron and Steel</td> <td>154</td> </tr> <tr> <td>MP</td> <td>164</td> <td>Iron and Steel</td> <td>191</td> </tr> <tr> <td>KZN</td> <td>377</td> <td>Iron and Steel</td> <td>377</td> </tr> <tr> <td><b>Total</b></td> <td><b>641</b></td> <td><b>Iron and Steel</b></td> <td><b>722</b></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Sector</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>MP</td> <td>28</td> <td>Chemical</td> <td>43</td> </tr> <tr> <td>GP</td> <td>63</td> <td>Chemical</td> <td>63</td> </tr> <tr> <td>EC</td> <td>30</td> <td>Chemical</td> <td>23</td> </tr> <tr> <td>KZN</td> <td>15</td> <td>Chemical</td> <td>15</td> </tr> <tr> <td><b>Total</b></td> <td><b>136</b></td> <td><b>Chemical</b></td> <td><b>144</b></td> </tr> </tbody> </table>				Province	Target	Sector	Actual	NW	100	Iron and Steel	154	MP	164	Iron and Steel	191	KZN	377	Iron and Steel	377	<b>Total</b>	<b>641</b>	<b>Iron and Steel</b>	<b>722</b>	Province	Target	Sector	Actual	MP	28	Chemical	43	GP	63	Chemical	63	EC	30	Chemical	23	KZN	15	Chemical	15	<b>Total</b>	<b>136</b>	<b>Chemical</b>	<b>144</b>
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[42]	Settle at least 70% of received labour-related complaints within 14 days at Registration Services	Settle 70% of received complaints within 14 days	<p><b>Achieved</b></p> <p>73.79% settled in 14 days</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Received</th> <th>Settled</th> <th>Settlement Rate</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>7 764</td> <td>5 393</td> <td>69.4</td> </tr> <tr> <td>FS</td> <td>10 291</td> <td>9 867</td> <td>95.8</td> </tr> <tr> <td>GP</td> <td>68 773</td> <td>60 049</td> <td>87.3</td> </tr> <tr> <td>KZN</td> <td>10 883</td> <td>10 120</td> <td>92.9</td> </tr> <tr> <td>LP</td> <td>9 170</td> <td>2 463</td> <td>26.8</td> </tr> <tr> <td>MP</td> <td>14 893</td> <td>13 941</td> <td>93.6</td> </tr> <tr> <td>NC</td> <td>2 850</td> <td>2 513</td> <td>88.1</td> </tr> <tr> <td>NW</td> <td>4 854</td> <td>2 351</td> <td>48.4</td> </tr> <tr> <td>WC</td> <td>6 329</td> <td>3 913</td> <td>61.8</td> </tr> <tr> <td><b>NATIONAL</b></td> <td><b>135 807</b></td> <td><b>110 610</b></td> <td><b>73.79</b></td> </tr> </tbody> </table>				Province	Received	Settled	Settlement Rate	EC	7 764	5 393	69.4	FS	10 291	9 867	95.8	GP	68 773	60 049	87.3	KZN	10 883	10 120	92.9	LP	9 170	2 463	26.8	MP	14 893	13 941	93.6	NC	2 850	2 513	88.1	NW	4 854	2 351	48.4	WC	6 329	3 913	61.8	<b>NATIONAL</b>	<b>135 807</b>	<b>110 610</b>	<b>73.79</b>
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	Conduct inspections in the identified industries exposing workers to silica dust. (refer to sectors as outlined in the ENE)	200 workplaces inspected in order to reduce exposure by at least 2% in Gauteng	<b>NB. Please note that only Gauteng Provinces was required to operationalize this indicator</b>				The inspections conducted were the first. Follow-up inspections will continue to determine the level of reduction to exposure.																																																								
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	Conduct Education and Information Sessions	One Seminar per Province on the dangers of exposure to silicosis	<b>Achieved</b>																																																												
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	Conduct baseline study on the extent of noise-induced hearing loss in the Iron and Steel Industries	Research concluded and a baseline report produced	<b>Not Achieved</b>				Baseline study on hold due to the need for due process being followed																																																								
		Develop a preventative strategy based on findings	<b>Not Achieved</b>				Baseline study on hold due to the need for due process being followed																																																								
	Repealing the OHS Act	OHS Bill developed and enacted into law	<b>Partially Achieved</b>				OHS bill developed and referred to Legal State Advisors for legal opinion																																																								

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Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
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Strengthening Social Protection	OHS Bill Developed and enacted into law	Hold four workshops in provinces	<b>Partially Achieved</b> OHS bill tabled at National OHS Conference	
	Roving safety Representative programme implemented	Roll out the project to two more provinces	<b>Partially Achieved</b> Roving safety Representative programme rolled out in Mpumalanga and Limpopo	Budgetary Constraints
	Awareness campaigns organised	Monitor and evaluate implementation in Mpumalanga and Limpopo	<b>Achieved</b> The project has been expanded to Groblersdal and Piet Retief	
Strengthening the institutional capacity of the Department	Competency-based programme and induction Program developed and implemented in line with the HRD Strategy	Implement the competency programme for existing inspectors and an induction programme for new inspectors	<b>Achieved</b> The induction programme for new inspectors was roll out to all provinces and 46 new inspectors were exposed to the induction programme.	
	Roll out the ILO training modules to all provinces	Roll out the ILO training modules to all provinces	<b>Achieved.</b> The branch conducted eight national workshops on ILO convention 81 and 129.	
	Inspection and Enforcement Services capacity strengthened	Facilitate the creation of additional posts on the IES staff establishment	<b>Not Achieved</b>	Creation of additional post deferred pending approval
	An efficient IES Case Management System in place	Case Management System delivered	<b>Not Achieved</b>	Siemens did not meet the deadline to go live despite the branch efforts to assist them

## [Programme 3]

# [Public Employment Services]

### Programme Overview

**Purpose:** Provide assistance to companies and workers to adjust to changing labour market conditions and to regulate private employment agencies.

**Programme description:** The programme consists of the following sub-programmes:

- **Management and Support Services: Public Employment Services** manages delegated administrative and financial responsibilities, coordinates all planning, monitoring and evaluation functions, and provides corporate support to line function sub-programmes.
- **Employer Services** facilitates registering vacancies, and disseminates scarce skills information, issues immigrant corporate and work permits, records migrating skilled South Africans, oversees placements, responds to companies in distress, provides a social plan and regulates private employment agencies.
- **Work-Seekers Services: Public Employment Services** registers work-seekers, retrenched workers, work vacancies, training and income-generating opportunities on the employment services system, and facilitates access to employment and income-generating opportunities for the unemployed and under-employed.
- **Designated Groups Special Services** facilitates the transfer of subsidies to national councils to promote the employment of people with disabilities, youth, and women, in collaboration with the sheltered Employment Factories and other relevant bodies.
- **Sheltered Employment Factories and Subsidies to Designated Workshops** facilitates transfers to subsidised workshops for the blind and subsidised work centres for people with disabilities, and aims to improve the administration, production and financial control of sheltered Employment Factories and workshops.
- **Productivity South Africa** promotes improvements in workplace productivity, competitiveness and social plan (job saving mechanisms through future forums and turnaround solutions).
- **Unemployment Insurance Fund** provides for the possible future funding of the Unemployment Insurance Fund.
- **Compensation Fund** provides for costs incurred through claims from civil servants for injuries sustained on duty or occupational-related illnesses and provides for the funding of possible requests from the Compensation Fund.
- **Training of Staff: Public Employment Services** facilitates training of staff within the programme, to comply with the 1% payroll Skills Development Levies Act (1999).

## Programme Strategic Objectives

### Strategic Objective 1: Contribution to employment creation

#### 1.1 Reduce unemployment by registering and placing unemployed people in decent work through: (outcome 5 output 1 sub-output 1.1 and 1.2).

**Baseline:** Performance as at the end of quarter 3 of 2011-12

**Baseline:** 403 482 work-seekers registered and over 64 798 referred and placed.

- Providing recruitment and selection services free of charge for at least 70% of reported Government posts at levels 2 to 9 and selected positions in State Owned Enterprises (SOE) and Municipalities.
- Filling at least 50 % of opportunities on the public employment services database within 60 days of registration of job opportunities on the system (Outcome 7 output 4).
- Supporting multi-pronged strategy to reduce youth unemployment through youth training and employment creation innovation programmes, ensuring that for at least 60% of placed and referred work-seekers are youth by March 2013 (Outcome 4 output 3) (Outcome 7 output 4).
- Processed 79 international cross-border labour migration applications, of these 28 were Corporate Work Permit applications covering 3 965 workers and 51 Individual Work Permits.

#### 1.2 Provide career counselling and employability enhancement programmes for 60% of the referred work-seekers (outcome 5 output 1 sub-output 1.3).

**Baseline:** 139 428 work-seekers were provided with career information and counselling

#### 1.3 Contribute to the implementation of the framework response to the economic crisis by implementing the training layoff scheme and social plan programme: (outcome 4 output 1 sub-output 7).

- Approve 80% of the recommended applications from the CCMA and SETAs.
- Disburse funding for 50% of the applications that have been approved, within one month.

#### 1.4 Facilitate the employment of 500 people with disabilities and/or veterans per year (Outcome 4 output 2 sub-output 4).

**Baseline:** No new appointments were made

#### 1.5 Ensure that Sheltered Employment Factories orders/sales are increased by 30% annually (Outcome 4 output 2 sub-output 4).

**Baseline:** 1.7% and cost of sales amounted to R13, 639

#### 1.6 Facilitate the achievement of employment equity targets for disability through training 600 learners with disabilities (in SEFs) for employment in the mainstream economy annually. (Outcome 4 output 2 sub-output 4).

**Baseline:** No new appointment were made

#### 1.7 Provide life skills support programme for people identified to participate in small business and cooperatives (outcome 4 output 6) (outcome 7 output 4 sub-output 4).

**Baseline:** No new appointment were made and SEF was not accredited as a training institute.

Sub-programme/programme: (PES)																																																	
Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance																																												
		Target	Actual																																														
Contribute to employment creation	Employment Services (ES) Policy, related regulations and guidelines in place	Employment Services Bill finalised by 2011. Regulations developed	<p><b>Partially achieved</b> – Bill currently at NEDLAC.</p> <p>Draft standard operating procedures (SOPs) per each ES function developed</p> <p>VS: Minutes of NEDLAC registration session</p>		Delays arising from stakeholder consultation process																																												
	PES Advocacy campaigns, conducted at National and Provincial levels	At-least 1 PES national and 2 major advocacy campaigns per province held annually	<p><b>Achieved</b> – Four National exhibitions</p> <p>on PES 99 Provincial Major advocacy campaigns were held</p> <p>Verification Source (VS): Provincial Quarterly Reports</p>																																														
	Number of registered job-seekers on the Employment Services for South Africa system per year	600 000 reporting job-seekers registered on the System	<p><b>Achieved</b> – Work-seekers registered : 553 883</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Actual</th> <th>Deviance</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>90 000</td> <td>36 227</td> <td>53 773</td> </tr> <tr> <td>FS</td> <td>66 000</td> <td>39 474</td> <td>26 526</td> </tr> <tr> <td>GP</td> <td>120 000</td> <td>146 865</td> <td>26 865</td> </tr> <tr> <td>KZN</td> <td>78 000</td> <td>104 718</td> <td>26 718</td> </tr> <tr> <td>LP</td> <td>54 000</td> <td>61 002</td> <td>7 002</td> </tr> <tr> <td>MP</td> <td>60 000</td> <td>46 317</td> <td>13 683</td> </tr> <tr> <td>NC</td> <td>36 000</td> <td>23 323</td> <td>12 677</td> </tr> <tr> <td>NW</td> <td>48 000</td> <td>21 081</td> <td>26 919</td> </tr> <tr> <td>WC</td> <td>48 000</td> <td>74 876</td> <td>26 876</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>600 000</b></td> <td><b>553 883</b></td> <td><b>46 117</b></td> </tr> </tbody> </table> <p>VS: Quarterly Reports from Provinces Reports from ESSA</p>		Province	Target	Actual	Deviance	EC	90 000	36 227	53 773	FS	66 000	39 474	26 526	GP	120 000	146 865	26 865	KZN	78 000	104 718	26 718	LP	54 000	61 002	7 002	MP	60 000	46 317	13 683	NC	36 000	23 323	12 677	NW	48 000	21 081	26 919	WC	48 000	74 876	26 876	<b>TOTAL</b>	<b>600 000</b>	<b>553 883</b>	<b>46 117</b>	
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Number of job-seekers assessed and profiled	50% job-seekers registering on the system are assessed and profiled within 60 days of registration	<p><b>Partially achieved</b> – 40% (222 956) job seekers assessed and profiled</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Actual</th> <th>Deviance</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>18 114</td> <td>18 149</td> <td>+35</td> </tr> <tr> <td>FS</td> <td>19 737</td> <td>17 222</td> <td>2 515</td> </tr> <tr> <td>GP</td> <td>73 432</td> <td>44 884</td> <td>28 548</td> </tr> <tr> <td>KZN</td> <td>52 359</td> <td>51 542</td> <td>817</td> </tr> <tr> <td>LP</td> <td>30 501</td> <td>13 922</td> <td>16 579</td> </tr> <tr> <td>MP</td> <td>23 158</td> <td>38 093</td> <td>+14 935</td> </tr> <tr> <td>NC</td> <td>11 662</td> <td>4 154</td> <td>7 508</td> </tr> <tr> <td>NW</td> <td>10 541</td> <td>16 373</td> <td>+5 832</td> </tr> <tr> <td>WC</td> <td>37 438</td> <td>18 617</td> <td>18 821</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>276 942</b></td> <td><b>222 956</b></td> <td><b>53 986</b></td> </tr> </tbody> </table> <p>VS: Quarterly Reports from Provinces Reports from ESSA</p>		Province	Target	Actual	Deviance	EC	18 114	18 149	+35	FS	19 737	17 222	2 515	GP	73 432	44 884	28 548	KZN	52 359	51 542	817	LP	30 501	13 922	16 579	MP	23 158	38 093	+14 935	NC	11 662	4 154	7 508	NW	10 541	16 373	+5 832	WC	37 438	18 617	18 821	<b>TOTAL</b>	<b>276 942</b>	<b>222 956</b>	<b>53 986</b>	Candidates not turning up for appointments for assessment	
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Contribute to employment creation	Number of job-seekers placed/referred to opportunities	450 000	<b>Not achieved</b> – Placed/referred: 96505 <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Actual</th> <th>Deviance</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>67 500</td> <td>15 483</td> <td>52 017</td> </tr> <tr> <td>FS</td> <td>49 500</td> <td>8 133</td> <td>41 367</td> </tr> <tr> <td>GP</td> <td>90 000</td> <td>19 452</td> <td>70 548</td> </tr> <tr> <td>KZN</td> <td>58 500</td> <td>8 658</td> <td>49 842</td> </tr> <tr> <td>LP</td> <td>40 500</td> <td>9 627</td> <td>30 873</td> </tr> <tr> <td>MP</td> <td>45 000</td> <td>11 316</td> <td>33 684</td> </tr> <tr> <td>NC</td> <td>27 000</td> <td>3 622</td> <td>23 378</td> </tr> <tr> <td>NW</td> <td>36 000</td> <td>11 077</td> <td>24 923</td> </tr> <tr> <td>WC</td> <td>36 000</td> <td>9 137</td> <td>26 863</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>450 000</b></td> <td><b>96 505</b></td> <td><b>353 495</b></td> </tr> </tbody> </table>		Province	Target	Actual	Deviance	EC	67 500	15 483	52 017	FS	49 500	8 133	41 367	GP	90 000	19 452	70 548	KZN	58 500	8 658	49 842	LP	40 500	9 627	30 873	MP	45 000	11 316	33 684	NC	27 000	3 622	23 378	NW	36 000	11 077	24 923	WC	36 000	9 137	26 863	<b>TOTAL</b>	<b>450 000</b>	<b>96 505</b>	<b>353 495</b>	High percentage of registered work-seekers with low level skills to match registered opportunities
	Province	Target	Actual	Deviance																																													
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	Number of employers registering vacancies on ESSA by end of March 2012	2 000 companies register vacancies on ESSA	<b>Achieved</b> – 2475 companies registered vacancies <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Actual</th> <th>Deviance</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>300</td> <td>361</td> <td>+61</td> </tr> <tr> <td>FS</td> <td>220</td> <td>260</td> <td>+40</td> </tr> <tr> <td>GP</td> <td>400</td> <td>578</td> <td>+178</td> </tr> <tr> <td>KZN</td> <td>260</td> <td>274</td> <td>+14</td> </tr> <tr> <td>LP</td> <td>180</td> <td>212</td> <td>+32</td> </tr> <tr> <td>MP</td> <td>200</td> <td>152</td> <td>- 48</td> </tr> <tr> <td>NC</td> <td>120</td> <td>227</td> <td>+107</td> </tr> <tr> <td>NW</td> <td>160</td> <td>187</td> <td>+27</td> </tr> <tr> <td>WC</td> <td>160</td> <td>224</td> <td>+64</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>2 000</b></td> <td><b>2 475</b></td> <td><b>+475</b></td> </tr> </tbody> </table>		Province	Target	Actual	Deviance	EC	300	361	+61	FS	220	260	+40	GP	400	578	+178	KZN	260	274	+14	LP	180	212	+32	MP	200	152	- 48	NC	120	227	+107	NW	160	187	+27	WC	160	224	+64	<b>TOTAL</b>	<b>2 000</b>	<b>2 475</b>	<b>+475</b>	Absence of short skills interventions to enhance skills low level workers
	Province	Target	Actual	Deviance																																													
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	Number of private employment agencies registered	1 500 private employment agencies registered	<b>Partially achieved</b> <b>1162 PEA registered</b> <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Actual</th> <th>Deviance</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>224</td> <td>132</td> <td>- 92</td> </tr> <tr> <td>FS</td> <td>160</td> <td>57</td> <td>- 103</td> </tr> <tr> <td>GP</td> <td>300</td> <td>491</td> <td>+191</td> </tr> <tr> <td>KZN</td> <td>196</td> <td>211</td> <td>+5</td> </tr> <tr> <td>LP</td> <td>136</td> <td>76</td> <td>- 60</td> </tr> <tr> <td>MP</td> <td>152</td> <td>69</td> <td>- 83</td> </tr> <tr> <td>NC</td> <td>92</td> <td>32</td> <td>- 60</td> </tr> <tr> <td>NW</td> <td>120</td> <td>30</td> <td>- 90</td> </tr> <tr> <td>WC</td> <td>120</td> <td>64</td> <td>- 56</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>1 500</b></td> <td><b>1 162</b></td> <td><b>- 338</b></td> </tr> </tbody> </table>		Province	Target	Actual	Deviance	EC	224	132	- 92	FS	160	57	- 103	GP	300	491	+191	KZN	196	211	+5	LP	136	76	- 60	MP	152	69	- 83	NC	92	32	- 60	NW	120	30	- 90	WC	120	64	- 56	<b>TOTAL</b>	<b>1 500</b>	<b>1 162</b>	<b>- 338</b>	Some PEA have cancelled registration Some PEA licenses expired and were not reviewed. Insufficient legal instrument to enforce registration and de-registration of PEAs.
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Sub-programme/programme: (PES)								
Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance			
		Target	Actual					
Contribute to employment creation	Number of requests for recommendation of migrant work permits responded to	200 requests for recommendation of migrant responded to within 30 working days	<b>Achieved</b>		Processing of applications is a reactive service and is dependant on applications received			
			A total of 87 applications were processed of these 32 were Corporate Permit covering a total of 4 128 workers and 55 individual work permit were received and responded to within 30 days					
			Corporate					
			<b>Province</b>	<b>Application received</b>		<b>No. of workers</b>	<b>Positive recommend</b>	<b>Negative recommend</b>
			EC	1		84	84	0
			FS	3		47	32	15
			GP	12		2 570	336	2 234
			KZN	1		212	0	212
			LP	10		927	879	48
			MP	0		0	0	0
NC	3	210	111	99				
NW	1	55	0	55				
WC	1	23	23	0				
<b>TOTAL</b>	<b>32</b>	<b>4 128</b>	<b>1 465</b>	<b>2 663</b>				
Individual								
<b>Province</b>	<b>Application received</b>	<b>No. of workers</b>	<b>Positive recommend</b>	<b>Negative recommend</b>				
EC	24	24	6	18				
FS	0	0	0	0				
GP	19	19	9	12				
KZN	4	4	3	1				
LP	6	6	3	3				
MP	0	0	0	0				
NC	2	2	0	2				
NW	0	0	0	0				
WC	0	0	0	0				
<b>TOTAL</b>	<b>55</b>	<b>55</b>	<b>21</b>	<b>34</b>				
VS: Provincial Office Registers								
VS: Minutes of Head Office adjudication panel.								

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Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance																																												
		Target	Actual																																														
Contribute to employment creation	Number of applications from companies in distressed sectors processed	30 Applications processed within 30 working days from application	<p><b>Achieved</b></p> <p>4 application were received and processed within 30 working days</p> <p>Training Lay-off Scheme (TLS)</p> <table border="1"> <thead> <tr> <th>Province</th> <th>No of applications</th> <th>Amount/Cost</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>0</td> <td>0</td> </tr> <tr> <td>FS</td> <td>1</td> <td>R77 302.50</td> </tr> <tr> <td>GP</td> <td>6</td> <td>R9 939 665.30</td> </tr> <tr> <td>KZN</td> <td>0</td> <td>0</td> </tr> <tr> <td>LP</td> <td>0</td> <td>0</td> </tr> <tr> <td>MP</td> <td>0</td> <td>0</td> </tr> <tr> <td>NC</td> <td>0</td> <td>0</td> </tr> <tr> <td>NW</td> <td>2</td> <td>R4 586 652.00</td> </tr> <tr> <td>WC</td> <td>5</td> <td>R1 900 296.15</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>14</b></td> <td><b>R16 503 915.95</b></td> </tr> </tbody> </table> <p>VS: Minutes of the TLS Committee</p>		Province	No of applications	Amount/Cost	EC	0	0	FS	1	R77 302.50	GP	6	R9 939 665.30	KZN	0	0	LP	0	0	MP	0	0	NC	0	0	NW	2	R4 586 652.00	WC	5	R1 900 296.15	<b>TOTAL</b>	<b>14</b>	<b>R16 503 915.95</b>	Few applications were received											
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<b>TOTAL</b>	<b>14</b>	<b>R16 503 915.95</b>																																															
	Number of workers in companies in distressed sectors provided with assistance	9 000 workers in companies in distressed sectors provided with assistance	<p><b>Not achieved</b></p> <p>1 344 workers assisted</p> <p>VS: Minutes of the TLS Committee</p>		Few applications were received																																												
	Number of people from designated groups placed in training and income generating opportunities (Youth, Women PWD – 3%)	100 000 Youth 50 000 Women 1 000 PWD	<p><b>Not achieved</b></p> <p>Youth : 28 339</p> <table border="1"> <thead> <tr> <th>Province</th> <th>Target</th> <th>Actual</th> <th>Deviance</th> </tr> </thead> <tbody> <tr> <td>EC</td> <td>15 000</td> <td>6 339</td> <td>- 8 661</td> </tr> <tr> <td>FS</td> <td>11 000</td> <td>5 160</td> <td>- 5 840</td> </tr> <tr> <td>GP</td> <td>20 000</td> <td>3 398</td> <td>- 16 602</td> </tr> <tr> <td>KZN</td> <td>13 000</td> <td>2 635</td> <td>- 10 365</td> </tr> <tr> <td>LP</td> <td>9 000</td> <td>2 181</td> <td>- 6 819</td> </tr> <tr> <td>MP</td> <td>10 000</td> <td>2 208</td> <td>- 7 792</td> </tr> <tr> <td>NC</td> <td>6 000</td> <td>735</td> <td>- 5 265</td> </tr> <tr> <td>NW</td> <td>8 000</td> <td>2 978</td> <td>- 5 022</td> </tr> <tr> <td>WC</td> <td>8 000</td> <td>2 705</td> <td>- 5 295</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>100 000</b></td> <td><b>28 339</b></td> <td><b>- 71 661</b></td> </tr> </tbody> </table>		Province	Target	Actual	Deviance	EC	15 000	6 339	- 8 661	FS	11 000	5 160	- 5 840	GP	20 000	3 398	- 16 602	KZN	13 000	2 635	- 10 365	LP	9 000	2 181	- 6 819	MP	10 000	2 208	- 7 792	NC	6 000	735	- 5 265	NW	8 000	2 978	- 5 022	WC	8 000	2 705	- 5 295	<b>TOTAL</b>	<b>100 000</b>	<b>28 339</b>	<b>- 71 661</b>	Low skills levels of registered candidates and insufficient opportunities registered
Province	Target	Actual	Deviance																																														
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FS	11 000	5 160	- 5 840																																														
GP	20 000	3 398	- 16 602																																														
KZN	13 000	2 635	- 10 365																																														
LP	9 000	2 181	- 6 819																																														
MP	10 000	2 208	- 7 792																																														
NC	6 000	735	- 5 265																																														
NW	8 000	2 978	- 5 022																																														
WC	8 000	2 705	- 5 295																																														
<b>TOTAL</b>	<b>100 000</b>	<b>28 339</b>	<b>- 71 661</b>																																														

Sub-programme/programme: (PES)																																																
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Contribute to employment creation	Number of people from designated groups placed in training and income generating opportunities (Youth, Women PWD – 3%)	100 000 Youth 50 000 Women 1 000 PWD	Women : 17 055		Low skills levels of registered candidates and insufficient opportunities																																											
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			VS: Quarterly Reports from Provinces																																													
	Sheltered Employment Factories (SEF) Approved policy and legal framework for Sheltered Employment Factories	SEF legal status and business case finalised	<p><b>Partially achieved -</b></p> <p>A legal establishment provision was included in the ES Bill. A Tender for Service providers for the second and final phase of the business case was concluded by the end of March 2012</p> <p>VS: Draft ES Bill referred to NEDLAC VS: KPMG appointment Notice</p>		Delays in drawing up agreement between the Department and TAU																																											
	Increased sales of goods from Sheltered Employment Factories leading to more intake of people with disabilities into SEF	30% increase in sales leading to 500 more people with disabilities employed in SEF subject to Government Departments placing 30% of their orders from SEF	<p><b>Not achieved -</b></p> <p>Only 0.67% increase in sales was recorded. No additional people with disabilities were employed.</p> <p>1.47% increase in sales/orders was placed by Government Departments</p> <p>VS: SEF Financial Statements</p>		Government did not place 30% of orders with SEF																																											

Sub-programme/programme: (PES)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Contribute to employment creation	Number of people with disabilities/ ex-combatants and Compensation Fund beneficiaries assisted with skills for employment in the SEF	600 learners with disabilities recruited for training to the SEF Centre of Excellence pilot project, for the year 2011 - 12	<b>Not achieved</b> – No learners were recruited for training  VS: SEF Quarterly Reports	SEF was not accredited as an institution of learning
	Number of people in SEF trained and placed in mainstream economy	At least 50 former employees with disabilities trained and placed	<b>Not achieved</b> – No former employee with disabilities trained and placed  VS: SEF Quarterly Reports	SEF was not accredited as an institution of learning
	Production South Africa Number of companies assisted to facilitate constructive dialogue between social partners, managers and workers, to improve productivity, per annum	120 companies	<b>Achieved</b> – 275 companies assisted  VS: Productivity SA Quarterly Reports	
	Productivity awareness campaign implemented through print and electronic media	80 media articles published, for the year 2011/12	<b>Achieved</b> – 193 media articles were published  VS: Productivity SA Quarterly Reports	
	Productivity Month campaign conducted and best performing organisations awarded	Five productivity brochures and one electronic newsletter published per month	<b>Achieved</b>  3 brochures printed and 8 electronic newsletters published  VS: Productivity SA Quarterly Reports	
		October Productivity Month campaign conducted. Two regional awards and one national productivity award function held	<b>Achieved</b> – October productivity month campaign conducted  One National Productivity award held  Five regional awards conducted  VS: Productivity SA Quarterly Reports	None

Sub-programme/programme: (PES)				
Strategic Objective	Measure/ Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Contribute to employment creation	Number of SMME managers assisted to manage matters related to intellectual property	3 000	<b>Achieved</b> – 2 842 SMMME Managers trained VS: Productivity SA Quarterly Reports	Delayed signing of agreements with partners delayed implementation
	Number of jobs saved through social plan intervention	20 000	<b>Partially achieved</b> – 15 165 jobs saved VS: Productivity SA Quarterly Reports	Insufficient funding to save more jobs
	Research study conducted on the contribution of municipal land in the SA economy	Research report compiled and published in 2011 – 2012	<b>Not achieved</b> – Research report not completed yet VS: Productivity SA Quarterly Reports	Initial proposal and terms of reference were revised
	Research study conducted on the impact of municipal programmes on SMMEs in relation to productivity and jobs created	Research report compiled and published in 2011 – 2012	<b>Achieved</b> – Research report completed and four seminars conducted on the report VS: Productivity SA Quarterly Reports	None
	Updated report on the impact of municipal programmes on SMMEs in relation to productivity and jobs produced	Year 2 – 5	<b>Achieved</b> – Research report completed and two seminars conducted on the report VS: Productivity SA Quarterly Reports	None
	Number of provincial seminars conducted on research reports. Compile an annual Productivity Statistics Report	Nine seminars conducted annually	<b>Achieved</b> – Productivity /Statistics report published 11 seminars conducted (includes seminars on research) VS: Productivity SA Quarterly Reports	None
	A study on competitiveness indicators for South Africa completed	One report published annually (report to be released in Q3)	<b>Achieved</b> – Report completed VS: Productivity SA Quarterly Reports	None

[54]

Sub-programme/programme: (PES)																										
Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance																					
		Target	Actual																							
Contribute to employment creation	A study on public sector productivity and performance and service delivery conducted	One report published annually	<b>Not achieved</b> – The report is not yet published  VS: Productivity SA Quarterly Reports		Draft report was submitted to the Minister of Public Service and Administration to approve the report																					
	Provide transfers to UIF should the Fund require a bailout		<b>No transfers were made to the UIF</b>  VS: Branch PES Financial Statement																							
	Number of public servants or expenses approved by Compensation Fund to be paid from the Fund	Submitted approved claims by the Compensation Fund Commissioner paid days	<ul style="list-style-type: none"> <li>Outstanding claims inclusive 1999 to September 2011 totaling R20.9m Annual allocation of R9.6m received from Treasury</li> <li>Additional allocation was received from Treasury R26 m</li> <li>Transferred to CF R36.1m from 1999 to March 2012</li> <li>Outstanding claims to be paid to CF R1,2m</li> </ul> <table border="1"> <thead> <tr> <th>Allocation</th> <th>Period</th> <th>Total paid</th> <th>Period covered</th> <th>Outstanding claims owed to CF</th> </tr> </thead> <tbody> <tr> <td rowspan="2">R9.6</td> <td>Q1 April to June</td> <td>R2.2m</td> <td rowspan="2">1999 to Sept 2011</td> <td rowspan="2">R4.4m) Oct-Dec 2011)</td> </tr> <tr> <td>Q2 July to Sept</td> <td>R7m</td> </tr> <tr> <td>R26m (Additional)</td> <td>Q3 Oct-Dec 2011</td> <td>R20,9 m</td> <td></td> <td></td> </tr> <tr> <td>R36.1</td> <td>Q4: Jan-March</td> <td>R36,1m</td> <td></td> <td>(R1.2m)</td> </tr> </tbody> </table> VS: Branch PES Financial Statement		Allocation	Period	Total paid	Period covered	Outstanding claims owed to CF	R9.6	Q1 April to June	R2.2m	1999 to Sept 2011	R4.4m) Oct-Dec 2011)	Q2 July to Sept	R7m	R26m (Additional)	Q3 Oct-Dec 2011	R20,9 m			R36.1	Q4: Jan-March	R36,1m		(R1.2m)
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Sub-programme/programme: (PES)							
Strategic Objective	Measure/ Indicator	Actual Performance against Target			Reason for Variance		
		Target	Actual				
PES staff capacitated to perform their functions effectively	Performance ratings of staff members improves along with organisational/ programme performance	70% of staff attend training in line with their Personal Development Plans	<b>Partially achieved</b> – 48% of staff was trained		Training programmes resumed later than the time anticipated		
			<b>Province</b>	<b>Target</b>		<b>Actual</b>	<b>Deviance</b>
			<b>EC</b>	70		36	- 34
			<b>FS</b>	70		100	+ 30
			<b>GP</b>	70		43	- 27
			<b>KZN</b>	70		8	- 62
			<b>LP</b>	70		29	- 41
			<b>MP</b>	70		100	+ 30
			<b>NC</b>	70		0	- 70
			<b>NW</b>	70		18	- 52
<b>WC</b>	70	100	+ 30				
<b>TOTAL</b>	<b>70</b>	<b>48</b>	<b>- 22</b>				
VS: Annual Training Report							



Strategic Objective	Performance Indicator	Major variance and reasons thereof	Remedial Action to resolve the problem
Contribute to employment creation	1.1 Employment Services (ES) Policy, related regulations and guidelines in place	Bill currently at NEDLAC. Draft SOPs per each ES function developed. Delays arising from stakeholder consultation process.	Consultation process to be fast-tracked
	5.1 Number of job-seekers placed/referred to opportunities	Target not achieved. High percentage of registered work-seekers with low level skills to match registered opportunities	Follow-up on training referrals to DHET
	7.1 Number of people from designated groups placed in training and income generating opportunities (Youth, Women PWD – 3%)	Target not achieved. Low skills levels of registered candidates and insufficient opportunities	Follow-up on training referrals to DHET
	8.2 Increased sales of goods from Sheltered Employment Factories leading to more intake of people with disabilities into SEF	Only 0.67% increase in sales was recorded. No additional people with disabilities were employed. Government did not place 30% of orders with SEF	Increase marketing of SEF to Government Departments
	8.3 Number of people with disabilities/ ex-combatants and Compensation Fund beneficiaries assisted with skills for employment in the SEF	No learners were recruited for training. SEF was not accredited as an institution of learning	Review availability of SEF to conduct training
	8.4 Number of people in SEF trained and placed in mainstream economy	No former employee with disabilities trained and placed. SEF was not accredited as an institution of learning	Review suitability of SEF to conduct training and placement.

## [Programme 4]

# [Labour Policy and Industrial Relations]

### Programme overview

**Purpose:** Facilitate the establishment of an equitable and sound labour relations environment and the promotion of South Africa's interests in international labour matters through research, analysing and evaluating labour policy, and providing statistical data on the labour market, including providing support to institutions that promote social dialogue.

**Programme Description:** The programme consists of the following sub-programmes:

- **Management and Support Services: Labour Policy and Labour Market Programmes** manages delegated administrative and financial responsibilities, coordinates all planning, monitoring and evaluation functions, and provides corporate support to line function sub-programmes. Funding is mainly used for salaries and other personnel related costs.
- **Strengthen Civil Society** funds civil society organisations that protect vulnerable workers in order to contribute to a stable and smooth functioning labour market by providing resources, support and expertise to improve the independence and self-reliance of workers through transfers to the Development Institute for Training, Support and Education for Labour (DITSELA), the Workers' College Natal, the Congress of South African Trade Unions (COSATU), the South African Confederation of Trade Unions (SACOTU), the South African Labour Bulletin and selected rural advice offices.
- **Collective Bargaining** manages the implementation of the Labour Relations Act (1995) through policies and practices that promote sound labour relations. Funds are mainly used to: register labour organisations and de-register those that are non-compliant; publish and extend collective agreements; support and advance participation in collective bargaining structures; participate in the governance structures of the Commission for Conciliation, Mediation and Arbitration; and to participate in relevant National Economic Development and Labour Council (NEDLAC) activities.
- **Employment Equity and Standards** promotes equity in the labour market through improving enforcement of the Employment Equity Act (1998), and protects vulnerable workers in the labour market by administering the Basic Conditions of Employment Act (1997). Funds are mainly used for reviewing Johannesburg Securities Exchange (JSE) listed companies for employment equity substantive compliance, publishing employment equity compliance information, and marketing the employment equity online reporting facility. Funds are also used to make and review sectoral determinations to increase the protection of vulnerable workers and promote the protection of children.
- **Commission for Conciliation, Mediation and Arbitration** - funds are transferred to the Commission for Conciliation, Mediation and Arbitration, which promotes social justice and fairness in the workplace through dispute prevention and dispute resolution services.
- **Research, Policy and Planning** researches and monitors working conditions and policies affecting the labour market in South Africa. Funds are mainly used for research, monitoring and evaluation activities, and publishing research findings.
- **Labour Market Information and Statistics** collects, collates, analyses and disseminates internal and external labour market statistics about changes in the South African labour market that impact on legislation. Funding is mainly used for salaries, and other personnel related costs.
- **International Labour Matters** facilitates compliance with international obligations, multi- and bilateral relations and makes transfers to the relevant bodies for membership fees.
- **National Economic Development and Labour Council** – funds are transferred to the National Economic Development and Labour Council, which promotes economic growth, participation in economic decision making and social equity.

## 7.4.2 Programme Strategic objectives

1. Review the working conditions of vulnerable workers in nine different sectors by amending the sectoral determinations for these sectors by consulting with various stakeholders through a process of public hearings, Employment Conditions Commission deliberations and advising the Minister on appropriate wages and conditions of employment for these sectors by March 2016.
2. Investigate the establishment of a medical aid scheme for the Private Security Sector by March 2013.
3. Investigate the establishment of a provident fund for the Domestic Worker and Farm Worker Sectors by March 2013.

**Baseline:** The base line for the review of each sectoral determination is 12 months.

4. Review the Small Business Ministerial Determination by March 2013.

**Baseline:** The baseline for the review of the Small Business Ministerial Determination is 12 months based on the previous review process of the determination.

5. Developing a report on the norms and benchmarks for proportionate income differentials by March 2013.

**Baseline:** No benchmark. This will be the first report.

6. Address developments in the labour market, including labour broking and legislative compliance and enforcement, by tabling at NEDLAC and Parliament, amendment bills to the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997) and the Employment Equity Act (1998) by March 2012.

**Baseline:** The baseline is 18 months. This is the period it took in 2002 to amend legislation.

7. Strengthen employment equity implementation and enforcement mechanisms by conducting Income Differential assessments to determine if there are race and gender disparities in salaries by March 2013.

**Baseline:** In the 2010/11, 60 companies' income differentials assessments were conducted within 12 months.

8. Implement a research, monitoring and evaluation agenda in specific areas identified in the labour market.

**Baseline:** Five research projects were conducted and concluded over the period of 18 months to June 2010.

9. Provide labour market information and produce annual statistical analysis reports. These reports will strategically inform the departmental management on progress made with regard to key performance indicators as set out by each programme and provide up to date information related to the impact of legislation in the labour market.

**Baseline:** Three Annual Labour Market Analysis reports were produced within a period of 12 months for the financial year 2009/10.

10. Manage the implementation of the Labour Relations Act (1995) by extending collective agreements within 60 days and registering or de-registering labour organisations within 90 days.

**Baseline:** The baseline for extension of collective agreements is 32 agreements within 50 days. The baseline for registration of labour organisations is 6 organisations within 98 days.

Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Contribute to employment creation	Develop worker cooperative strategy	Worker cooperative strategy developed	<b>Achieved</b> – The worker cooperatives strategy was developed and three seminar presentations were done to overall Departmental staff.  Another presentation was done to the senior management of the department in order to propel implementation	No variance
Promote equity in the labour market	Employment Equity Act (EEA) and its regulations amended and monitor and evaluate the substantive progress of the implementation of the Act	Amended EEA	<b>Not achieved</b> – Negotiations not yet commenced on the Employment Equity Bill at NEDLAC due to prolonged negotiations on the LRA and BCEA Bills.	Delays experienced at NEDLAC in finalising the negotiations on the LRA and BCEA Bills resulted in the EEA Bill not being discussed
	Code of Good Practice and Technical Assistance Guidelines on HIV and AIDS reviewed and amended	HIV and AIDS Code and Technical Assistance Guidelines (TAG) amended	<b>Partially achieved</b> – Only the Code on HIV and AIDS and the World of Work reviewed and finalised. Advisory letter sent to Minister on 28 March 2012 by the Commission for Employment Equity for publication.	Delays experienced at NEDLAC in finalising the discussions on the Code resulted in Technical Assistance Guidelines being rescheduled to be finalised by end of June 2012 (Q1)
	60 Income Differentials assessed to determine race and gender disparities in salaries	60	<b>Partially achieved</b> – 58 Income Differentials assessed to determine race and gender disparities in salaries.	<ul style="list-style-type: none"> <li>• Delays by companies in submitting Income Differentials according to the required format.</li> <li>• Rescheduling of meetings with companies due to the unavailability of Chief Executive Officers (CEOs) and Executive Managers of companies</li> </ul>

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Sub-programme/programme: (LP and IR)					
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance	
		Target	Actual		
Protecting vulnerable workers	Manage the implementation of the Basic Conditions of Employment Act (BCEA)	Amended BCEA promulgated	<b>Achieved</b> – Bills were approved by Cabinet and submitted to Parliament. Information sharing sessions conducted country wide.		
	Wage differentials investigated	Report on wage differentials finalised	<b>Not achieved</b>	Delays in finalising the 2009/10 income differentials report	
	Develop a report on norms and benchmarks	Norms and benchmarks report finalised and released	<b>Not achieved</b>	Delays in finalising the 2009/10 income differentials report	
	Review existing sectoral determinations	Five sectoral determinations reviewed	<b>Achieved</b> – Taxi published on 27/06/11 (GG 34392), Contract Cleaning published 28/11/11 (GG 34798), Domestic Workers published on 28/11/2011 (GG 34797), Farm Workers published 18/01/2012 (GG 34947), Forestry workers published 18/01/2012 (GG 34946)		
	Investigate existing sectoral determinations	Research into the Taxi sector		<b>Not achieved</b> – The research process to be completed in May 2012	Delays in the procurement process
		Small Business Determination reviewed		<b>Not Achieved</b>	Inputs from social partners at NEDLAC not yet received
		Improve the status of vulnerable workers by investigating the feasibility of establishing a medical aid scheme for the private security sector		<b>Achieved</b> – Report from service providers completed indicating that it will be costly to employees based on the level of the minimum wage to have medical aid. Based on the report from service providers, stakeholders in the sector have lost interest on the issue	
	Investigate new areas for setting sectoral determinations	Establishing provident funds for the domestic and farm workers sectors to improve their conditions and bring them in line with other sectors		<b>Not achieved</b> – Treasury has just informed the Department that their target group in terms of social security fund includes domestic workers and farm workers. They also indicated that they have already developed a model within the social security fund for both sectors. Employment Standards to further engaged with Treasury on the matter	Delays in the Government's Social Security Transformation process

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Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening multilateral and bilateral relations	Ensure compliance with ILO's constitutional requirements in terms of Article 19 and 22 of the Constitution of the ILO	Compile and submit reports in consultation with programmes and other departments on South Africa's compliance in law, policy and practice	<p><b>Achieved</b></p> <p><b>Article 19 and 22 reports submitted to the ILO.</b></p> <p><b>Article 19:</b> Questionnaire on Social Security Conventions:</p> <ul style="list-style-type: none"> <li>• Social Security (Minimum Standards) Convention, 192 (No. 102)</li> <li>• Employment Promotion and the Protection against Unemployment Convention, 1988 (No. 168)</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Income Security Recommendation, 1944 (No. 67)</li> <li>• Medical Care Recommendation, 1944 (No. 69)</li> </ul> <p><b>Article 22</b></p> <ul style="list-style-type: none"> <li>• Statistics of Wages and Hours of Work Convention, No. 63</li> <li>• Freedom of Association and Protection of the Right to Organise and Collective Bargaining Convention, No. 87</li> <li>• Right to Organise and Collective Bargaining Convention, No. 98</li> <li>• Equal Remuneration Convention, No. 100</li> <li>• Discrimination (Employment and Occupation) Convention, No. 111</li> <li>• Tripartite Consultation (International Labour Standards) Convention, No. 144</li> </ul>	
	Develop briefing documents for ARLAC Governing by May 2011	Develop briefing documents on and South African positions on the agenda items of the annual SADC ELS meeting of Ministers and social partners	South African position developed on the items as set out below for the ILC and GB.	<p><b>International Labour Conference (ILC)</b></p> <ul style="list-style-type: none"> <li>• Decent work for Domestic Workers</li> <li>• Finance Committee of Government Representatives</li> <li>• Labour Administration and Labour Inspection</li> <li>• A recurrent discussion on the strategic objective of Social Protection</li> <li>• Report of the Committee of Experts on the Application of Conventions and Recommendations</li> <li>• Equality at Work</li> </ul>

Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening multilateral and bilateral relations.	Develop briefing documents for ARLAC Governing by May 2011	Develop briefing documents on and South African positions on the agenda items of the annual SADC ELS meeting of Ministers and social partners	<p><b>Governing Body – (GB)</b>                      South Africa is represented in various committees of the Governing Body. These being;</p> <ul style="list-style-type: none"> <li>• Committee on Programme, Finances and Administration (PFAC) where it represents Africa as spokesperson, the Committee on Employment and Social Policy (ESP)</li> <li>• Committee on Legal Issues and International Standards (LILS)</li> <li>• Committee on Sectoral and Technical Meetings and Related Issues (STM)</li> <li>• Committee on Technical Cooperation (TC), the International Institute for Labour Studies</li> <li>• Steering Group on the Follow-up to the Declaration on Social Justice for a Fair Globalisation</li> <li>• Working Party on the Functioning of the Governing Body</li> <li>• International Labour Conference</li> <li>• Working Party on the Social Dimensions of Globalisation</li> <li>• The Board of the International Training Centre (Turin).</li> </ul> <p>Briefing documents and South African positions developed on the following agenda items</p> <ul style="list-style-type: none"> <li>• Implementation of the 2011 Decisions of SADC Ministers Responsible for Employment and Labour and Social Partners</li> <li>• Preparations for the fourth Biennial follow-up report and the 2014 comprehensive report on the implementation of the Ouagadougou 2004 Declaration and plan of action.</li> <li>• Assessment tools on SADC ELS policy documents</li> <li>• Piloting of assessment tools on the implementation of the SADC Policy Instruments</li> <li>• Priorities for implementation by sub-committees during the year 2011-2012</li> <li>• Draft SADC Decent Work programme</li> <li>• Draft Employment and Labour Protocol</li> <li>• SADC Draft prototype Labour Market Information System</li> </ul>	

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Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening multilateral and bilateral relations.	Develop briefing documents for ARLAC Governing by May 2011	Develop briefing documents on and South African positions on the agenda items of the annual SADC ELS meeting of Ministers and Social partners	<ul style="list-style-type: none"> <li>Report of the SADC Member states in the ILO Governing Body on the following matters:                             <ul style="list-style-type: none"> <li>- Reforms of the Governing Body</li> <li>- Reform of the ILC</li> <li>- Follow-up to the HIV and AIDS Recommendation, 2010 (NO. 200)</li> <li>- Report of the Committee on Freedom of Association</li> <li>- Appointment of the next Director-General of the ILO</li> <li>- Youth Employment Situation in the SADC Region (SADC Employment Symposium)</li> <li>- Report of the 12th African Regional Meeting and AU Labour and Social Affairs Commission.</li> </ul> </li> <li>The South African delegation also participated in the Joint Meeting of Ministers responsible for Health and HIV and AIDS, and Ministers and Social Partners responsible for Employment and Labour on the Declaration on Tuberculosis in the Mining Sector</li> </ul>	
	Projects in priority output areas identified, agreed on with social partners, implemented and reported on	South Africa's Decent Work Country Programme Launched	Regular meetings of the Steering Committee and Technical Implementation Committee held to monitor implementation of projects in priority output areas as agreed	
	Develop briefing documents and South African positions on the agenda items of the annual ARLAC Governing Council meeting of Ministers	Develop briefing documents and South African positions on the agenda items of the annual ARLAC Governing Council meeting of Ministers by May 2011	South African positions prepared on the items as set out below for the 36B Session ARLAC Governing Council Meeting for Ministers held in June 2011 <ul style="list-style-type: none"> <li>• 2010 Annual Report</li> <li>• Report on Arrear Contribution</li> <li>• Progress Report on Postgraduate Studies at the University of Lagos</li> <li>• ARLAC Programme and Budget-2011</li> <li>• Audited Financial Statements and Auditors Report 2009</li> </ul>	



Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strengthening multilateral and bilateral relations	Develop briefing documents and South African positions on the agenda items of the annual ARLAC Governing Council meeting of Ministers	Develop briefing documents on and South African positions on the agenda items of the annual African Union Labour and Social Affairs Commission	Position papers developed and reflected in discussions at the AU LSAC meeting held in April 2011 <ul style="list-style-type: none"> <li>• 3rd Biennial follow-up report on the implementation, monitoring and evaluation of the Ouagadougou 2004 Declaration and Plan of Action</li> <li>• Draft social protection plan for the informal economy and rural workers</li> <li>• Harmonisation and coordination framework for the Labour Market Information systems in Africa</li> <li>• Consideration of the background and policy orientation paper on Youth Employment for social cohesion and inclusive growth</li> <li>• Report on the activities of the African members of the ILO Governing Body</li> </ul>	
	Review the implementation of the Memorandum of Understanding with Lesotho, Namibia, Cuba and China	MOU's with respective countries reviewed and signed	Review of the memorandum of understanding with China has been finalised and is awaiting signature	MOU with Lesotho not finalised due to delays in reviewing critical inputs from Lesotho

Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Promoting Sound Labour Relations	LRA amended	LRA Amendment bill submitted to Parliament for approval and ratification	<b>Achieved</b> – Bills were approved by Cabinet and submitted to Parliament. Information sharing sessions conducted country wide.	Manage the implementation of the Labour Relations Act, 1995
	Extend collective within 90 days	18 Collective Agreements	<b>Achieved</b> – 24 Average turnaround time was 57 days.	Received more agreements than expected
	Decision to register new labour organisations taken within 90 days	90 days	<b>Not achieved</b> – 144 Average turnaround time was 104 days.	Due to delays in verifications as well as more applications were received.
	Monitor performance of CCMA against its strategic objectives	Quarterly reports on CCMA performance and budget transfer as per agreement	Annual operations report Referrals: 161 588 <ul style="list-style-type: none"> <li>• Conciliations conducted: 124 192</li> <li>• Arbitration heard: 46 791</li> <li>• Con/Arbs conducted: 51 701</li> <li>• Settlement rate: 72%</li> </ul> Other processes heard <ul style="list-style-type: none"> <li>• 189A Facilitation: 779</li> <li>• Pre-dismissal arbitration : 142</li> </ul>	
	Monitor performance of NEDLAC against its strategic objectives	Quarterly reports on NEDLAC and budget transfer as per agreement	Quarterly transfers done after compliance with quarterly reports	

[66]

Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Monitoring the impact of legislation	Annual Labour Market Review report developed and disseminated	Four Annual Labour Market Reports developed	1. Ministerial briefing reports on key UI and QLFS data trends completed, approved and disseminated quarterly	
	Annual Labour Market Review report developed and disseminated	Four Annual Labour Market Review reports developed and disseminated	Departmental administrative snapshots reports were internally completed and disseminated quarterly through Exchange Postmaster  Four annual labour market reports were produced, approved and published. These reports are : Industrial Action (AIA) Report 2011, Annual Administrative Statistics (AAS) report 2012, Annual Report on the Job Opportunities and Unemployment in the South African Labour Market, 2011 and Annual Labour Market Bulletin report 2011.	No variance
	Annual Labour Market Review report developed and disseminated	Annual Labour Market Review report developed and disseminated	The Labour Market Review was developed – Topic: Employment relationships in the creative industry.	No variance
	The impact of the Department's Strategic Plan on stated goals and objectives researched and reported on	Implementation of RME Agenda two continues with the following projects. 1. Evaluation of the NSDS II 2. UIF non-compliance in the taxi, domestic and catering sectors 3. Assessment of the registration, recruitment and selection services in ESSA	1. The following RME 2 projects were completed, submitted to the Minister and disseminated through research seminars: <ul style="list-style-type: none"> <li>• Evaluation of the NDSII</li> <li>• UIF Client satisfaction survey</li> <li>• UIF non-compliance in the taxi, domestic and catering sectors</li> <li>• Assessment of registration, recruitment and selection services in ESSA</li> </ul> 2. A study on the Assessment of three sectors considered to be high-risk in terms of the Occupational Health and Safety was finalised as part of the RME 2 agenda.  3. A study was conducted and completed as requested by SARS - for the Department to look at the impact of second-hand imported vehicles in the South African economy in terms of employment and compliance with labour legislations. The report was submitted to SARS	No variance

Sub-programme/programme: (LP and IR)				
Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Monitoring the impact of legislation			<p>4. The following research projects (Noise-induced hearing loss and Taxi sectoral determination) were requested in 2011 as priority studies for the 2011-year to feed into Departmental intervention programmes were requested and procurement done and projects started in 2011:</p> <ul style="list-style-type: none"> <li>• Noise-Induced Hearing Loss - aimed at establishing the prevalence and levels of noise-induced hearing loss and strategies put in place by companies in the iron and steel industry to reduce and to prevent hearing loss of employees working in the industry</li> <li>• Taxi sectoral determination - is aimed at establishing the impact of the determination that was introduced by the Department of Labour to regulate the industry and to also look at the impact of other Government programmes and processes introduced in the transport sector which may have affected the taxi industry somehow, these include the taxi recapitalisation, the BRT and many others</li> </ul>	No variance

## [Additional Narratives]

### [from Employment Equity]

In furtherance of the objective to monitor and assess implementation of the Employment Equity Act, the following outputs were achieved: Provincial Office staff were identified and trained as trainers to advance the internal capability of the Department to assist employers to comply with the reporting requirements of the Act and to input data from the prescribed reporting forms onto the Employment Equity (EE) System.

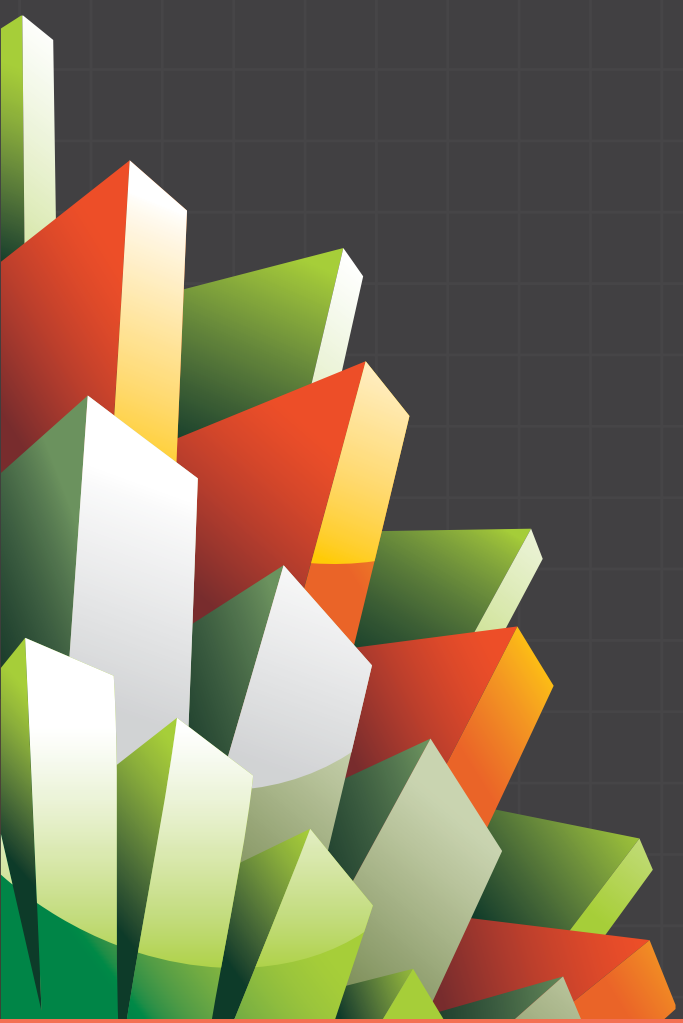
The Employment Equity System was improved and made more user-friendly for employers utilising the EE Online Reporting Service of the Department and it was successfully opened to the public on 1 September 2011 for the 2011 reporting period. Particular efforts were made to improve access to the Department's website and to expand the network pathway to allow a greater number of users to connect successfully during peak periods and the approaching deadline for submission.

As part of the legislative monitoring requirement, the 2011 Employment Equity Public Register was also prepared listing a total of 10 665 employers who successfully submitted employment equity reports to the Department. Approximately 95% of these employers successfully completed and submitted their employment equity reports online utilising the EE Online Reporting Service available from the Department's website. The 2011 Public Register includes 2 370 employers with 150 or more employees for whom it was compulsory to report in 2011.

Approximately 6 295 small employers also reported either voluntarily, in order to comply with the BBBEE legislative requirements or after a labour inspection. The legislation requires small employers with fewer than 150 employees to report once every two years on an even year. In order to promote the implementation of the Employment Equity Act in workplaces, the Department continued to conduct 14 national Employment Equity Awareness workshops with key stakeholders across nine provinces, inclusive of the Department of Public Service and Administration (DPSA) to solicit comments on the Draft Revised HIV and AIDS Code. Coupled with these workshops, were EE Media Campaigns that were conducted through newspapers, radios and television to promote compliance with the requirements of the Act and the EE Reporting requirements for 2011 reporting period. In addition to the above, during this period, the Code of Good Practice on HIV and AIDS and the World of Work (HIV and AIDS Code) and the 12<sup>th</sup> CEE Annual report were developed and completed by March 2012.

The HIV and AIDS Code was reviewed and amended with the view of aligning it with the International Labour Organisation's Recommendation 200 by the end of March 2012. Its Technical Assistance Guidelines (TAG) will also be reviewed and amended by the end of June 2012 in order to provide practical guidelines and examples on how to implement the provisions of the HIV and AIDS Code.





[REPORT OF THE  
AUDIT COMMITTEE]  
**SECTION**

# 03

72	Audit Committee Members and Attendance
73	Audit Committee Responsibility
73	Effectiveness of Internal Control

74	Evaluation of Statements
74	Combined Assurance

# Report of the Audit Committee

## Introduction

The Committee is pleased to present its report for the financial year ended 31 March 2012. The report is presented in accordance with the requirements of the Public Finance Management Act 1 of 1999 (PFMA), as amended and the recommendations contained in the third King Report on Governance for South Africa and the King Code of Governance Principles (King III). Amongst others, the Committee's operations are guided by a formal detailed Terms of Reference (ToR) that is in line with the PFMA and the recommendations of King III. During the review period, the ToR has been updated and approved by the Audit Committee and the Accounting Officer. The Audit Committee had operated in terms of these terms of reference, and has dealt adequately with its membership, authority and responsibilities. In complying with the ToR, the committee was evaluated during the year and the results revealed that it was effective in its oversight responsibilities.

## Audit Committee Members and Attendance

The Department of Labour has a constituted Audit committee, comprising of four independent non-executive directors. The committee met four times during the year as follows:

Name	Rank	Number of Meetings Attended	Comment
Mrs M Chokoe	Chairperson	4/4	None
Mr K Buthelezi	Member	4/4	None
Mr T Mageza	Member	4/4	None
Ms G Spelman	Member	2/3	Contract ended in February 2012
Mr N Vermeulen	Co-opted Member	1/1	Co-opted for one meeting

The committee also had a special meeting with the Accounting Officer on the 06th Dec 2011 to present its half-year report. The Committee requested the Accounting Officer to prepare action plans on its recommendations and the Accounting Officer made presentations on progress during the meetings of the Audit Committee.



## Audit Committee Responsibility

### Effectiveness of internal control

#### Department of Labour

The system of internal control has improved for the period under review. There were several deficiencies that were identified in the previous years and the Audit Committee was appraised with reports by both the Internal Audit and Auditor General, including the National Risk Management Committee. The Audit Committee further noted that the following areas still need attention

- Information Technology control environment risks with regard to the management of the transition of the Public Private Partnership contract
- Organisational planning and management of organisational performance information
- Supply Chain Management – compliance to laws and regulations including policies and procedures
- Risk Management – leadership to champion risk management initiatives.

#### Sheltered Employment Factories

The system of internal control has shown some improvements in comparisons to the previous financial years. There are still some challenges noted by both the Internal Audit and Auditor General during the year. The SEF is conducting a study on a business case/ turnaround strategy and the committee will be appraised with the developments in 2012/13. The Audit Committee further noted that the following areas still need attention

- Supply Chain Management - compliance to laws and regulations including developing an SCM policy
- Prevention of irregular expenditure
- Financial sustainability or funding and income generation capability
- Equity transformation challenges
- Management of debt collection.

Management has acknowledged these challenges and the Audit Committee will monitor the implementation of action plans. The Audit Committee has tasked management to compile a “Comprehensive Action Plan” to ensure that these issues are not reported in forthcoming financial years, of which the Audit Committee will actively monitor the progress being made in this regard. The first meeting to address the Comprehensive Action Plan is scheduled for August 2012.

#### The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and Division of Revenue Act

The Audit Committee was appraised with monthly and quarterly reports during the year. The Audit Committee is satisfied with the quality of monthly and quarterly reports prepared and issued by the Department during the year.

## Evaluation of financial statements

The Audit Committee has for both the Department and Sheltered Employment Factories;

Reviewed and discussed the Annual Financial Statements to be presented for auditing purposes

Reviewed changes in accounting policy and practices

Recommended that the Accounting Officer approve the Annual Financial Statements

Reviewed the Audit Report and Management Report from Auditor General

Reviewed the Department's compliance to legal and regulatory provisions

## Combined Assurance

### Internal Audit

There were great improvements in the operations of the Internal Audit Activity and the Audit Committee is satisfied with its contributions in the Department on both consulting and assurance services. The lack of capacity on information technology audits previously noted in the Internal Audit Activity has been addressed in the later part of the financial year.

### Auditor General

The Audit Committee is satisfied with the relationship of Auditor General and the Department. The Audit Committee and Department appreciated the advice/s provided by the Auditor General during the meetings of the Audit Committee.

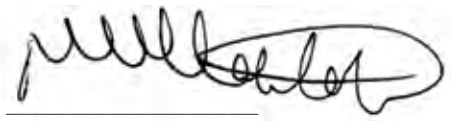
### National Risk Management Committee

During the reporting period, the Risk Committee also played an important role to assist the Audit Committee in fulfilling its responsibilities. The Risk Committee provided reports of its work and some recommendations to the Audit Committee. This relationship will continue to ensure that there is improved combined assurance level.

## Appreciation

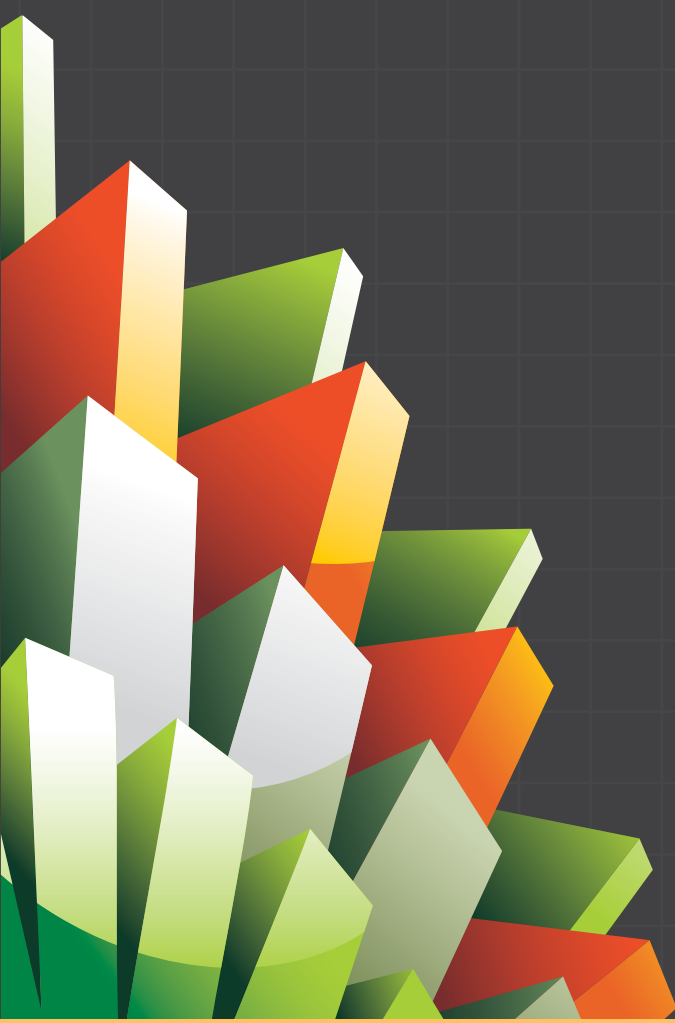
During the reporting year, commitment was evident in addressing issues and the Audit Committee would like to acknowledge these improvements. We are very confident that similar good work will continue in future and the Department's role in labour market will increasingly be of value to South Africa.

Sincere appreciation is accorded to the Executive Authority, Accounting Officer, Management and staff, all stakeholders and proud to be associated again with the unqualified opinion to the Department and first unqualified for the Sheltered Employment Factories in 2011/12 financial year.



Mrs M Chokoe  
Chairperson: Audit Committee  
30 July 2012





[ANNUAL FINANCIAL  
STATEMENTS]  
Department of Labour

**SECTION**

**04**

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## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO.18: DEPARTMENT OF LABOUR REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Department of Labour set out on pages 82 to 155, which comprise the appropriation statement, statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with The Departmental financial reporting framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those 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.
4. 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 judgement, 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 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Labour as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with The Departmental financial reporting framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### ADDITIONAL MATTERS

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Financial reporting framework

8. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework and not that they "present fairly". Section 20(2)(a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### PREDETERMINED OBJECTIVES

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the Department's annual performance report as set out on pages 12 to 69 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.
12. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

#### **Usefulness of information**

##### **Measurability**

##### **Performance targets not specific**

13. The National Treasury Framework for managing programme performance information (FMPPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total 25% of the targets relevant to Public Employment services strategic priorities were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPPI but did not receive the necessary training to enable application of the principles of the requirements of the FMPPPI.

##### **Performance targets not time bound**

14. The National Treasury Framework for managing programme performance information (FMPPPI) requires that the time period or deadline for delivery be specified. A total of 28% of the targets relevant to Inspection and Enforcement Services were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the FMPPPI but did not receive the necessary training to enable application of the principles.

##### **Performance Indicators not well defined**

15. The National Treasury Framework for managing programme performance information (FMPPPI) requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 33% reported indicators relevant to Inspection and Enforcement Services were not accurate when compared to source information. This was due to a lack of monitoring, review, standard operating procedures and information systems for the recording of actual achievements by senior management.

##### **Indicators not verifiable**

16. The National Treasury Framework for managing programme performance information (FMPPPI) requires that it must be possible to validate the processes and systems that produce the indicator. A total of 22% and 47% of the indicators relevant to Inspection and Enforcement Services and Public Employment Services respectively were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection, collation and verification of actual performance information.

#### **Reliability of information**

##### **Validity, accuracy and completeness**

##### **Reported performance not valid, accurate and complete**

17. The National Treasury Framework for managing programme performance information (FMPPPI) requires that processes and systems which produce the indicator should be verifiable. Furthermore, the framework requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. It also requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained.
18. A total of 47% of the actual reported performance relevant to the selected programmes was not valid, accurate or complete when compared to the source information. This was due to a lack of monitoring, review, standard operating procedures and information systems for the recording of actual achievements by senior management.

**Additional matter**

19. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

**Achievement of planned targets**

20. Of the total number of 140 planned targets, only 82 were achieved during the year under review. This represents 59% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

**COMPLIANCE WITH LAWS AND REGULATIONS**

21. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

**Annual financial statements**

22. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements of PPP assets, lease commitments, commitments, accruals, irregular expenditure and receivables identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

**Procurement and contract management**

23. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury Regulation 16A6.4.
24. The Department did not comply with paragraph 16A.3 of the Treasury Regulations as the supply chain management policy is not sufficiently documented with regard to measures to prevent abuse of the SCM system and processes.
25. The accounting officer did not report the deviation from normal procurement processes to National Treasury and the Auditor General as required by paragraph 16A.6.4 of the Treasury Regulations.
26. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.
27. Employees of the department performed remunerative work outside their employment in the department without written permission from the relevant authority as required by section 30 of the Public Service Act.

**Human resource management and compensation**

28. Funded vacant posts were not filled within 12 months as required by Public Service Regulation 1/VII/C.1A.2 Vacant positions in the department were not advertised within six months.

**Expenditure management**

29. Contractual obligations and money owed by the department were not settled within 30 days or an agreed period, as required by section 38(1)(f) of the Public Finance Management Act and Treasury Regulation 8.2.3.
30. The accounting officer did not take effective steps to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

**Asset management**

31. Proper control systems to safeguard and maintain assets were not implemented, as required by section 38(1)(d) of the Public Finance Management Act and Treasury Regulation 10.1.1(a) as a material number of minor assets had no physical location and condition recorded.

**Revenue management**

32. The accounting officer did not take effective and appropriate steps to collect all money due as required by section 38(1)(c) (i) of the PFMA and TR 11.2.1, 15.10.1.2(a) and 15.10.1.2 (e).



**Internal control**

33. I considered internal control relevant to my audit of the financial statements, annual performance report for the Department of Labour and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the findings on the Department's annual performance report and the findings on compliance with laws and regulations included in this report.

**Leadership**

34. The accounting officer did not effectively exercise oversight responsibility regarding compliance with laws and regulations and related internal controls relating to assets (including PPP), supply chain management and reporting on predetermined objectives. Management did not establish an IT governance framework that supports and enables the department to report efficiently on its activities, including reporting on predetermined objectives which resulted in the ICT strategy for the department and its entities reporting to it not being developed and approved.

**Financial and performance management**

35. Management did not prepare adequate, regular and complete financial and performance reports that are supported and evidenced by reliable information. Material differences which were not identified by management prior to submission of the financial statements were identified between the financial statements and the supporting schedules for PPP assets, lease commitments, commitments and accruals. Further, differences were noted on the figures reported in the annual performance report and the auditor's recalculation.

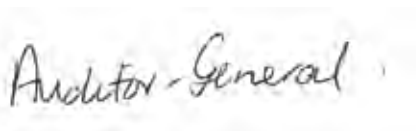
**Governance**

36. Management did not implement adequate risk management activities to ensure that IT governance risks of the department are addressed. The ICT strategy and policies were not updated. The business continuity plan which should form a basis for IT governance framework to direct the positioning of IT, resource requirements, risk and internal control management was not developed and implemented.

**OTHER REPORTS****Investigations**

37. The disciplinary process resulting from the outcome of the forensic investigation at Indlela which was instituted by the Department of Higher Education and Training has not been finalised at the date of the report for the department to consider the impact on its financial statements.

[81]



Pretoria  
31 July 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA.

### 1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

#### 1.1 Key policy developments and legislative changes, significant events that have taken place during the year and major projects undertaken or completed during the year.

##### 1.1.1 Strategic priorities

Specific strategic goals include:

Implementing the Decent Work country programme;

Rebuilding public employment services to enable government to maintain a database of job seekers and job opportunities, and match and place job seekers;

Strengthening the labour inspectorate system to effectively monitor and enforce compliance with legislation to ensure adherence to decent work principles and address vulnerability in the labour market;

Strengthening social security, including reintegrating workers into the labour market; restructuring Sheltered Employment Factories; and

Strengthening the institutional capacity of the Department to improve quality and access to service delivery.

##### 1.1.2 Amending legislation

To contribute to the creation of decent employment, the Department, after consultation with stakeholders, will present to Parliament in 2012/13 amendments to the following legislation it administers: the Unemployment Insurance Act (2001), to improve benefits and to effect administrative changes regarding submission of information to the fund by employers; and the Compensation for Occupational Injuries and Diseases Act (1993), to allow for the development of a rehabilitation, reintegration, and return-to-work policy for injured and diseased workers.

The Department will also seek to repeal the Occupational Health and Safety Act (1993) in its current form to ensure that employers develop and implement a health and safety management system, that penalties issued to employers are increased, and that inspectors can issue prescribed fines on the spot.

Other key pieces of legislation which were scheduled to be tabled at Parliament in 2011/12, but which are still under discussion at the National Economic Development and Labour Council include: the Labour Relations Amendment Bill (2010), which proposes to stop repeated short term contracting, address labour broking and clarify the definition of employer in certain circumstances; the Basic Conditions of Employment Amendment Bill (2010), which seeks to vary the circumstances under which trade unions may qualify for representational rights and to empower the minister to amend wages in certain circumstances; the Employment Equity Amendment Bill (2010), to give effect to the same-employer equal pay for work of equal value principle; and the Employment Services Bill (2010), to regulate activities concerned with employment placement services.

##### 1.1.3 Labour market information systems

The Department will enhance all its labour market information systems to produce relevant, accurate, and updated statistics and information by completing the upgrade of its ICT systems. The critical project related to this is the integrated client database, which will provide crucial information for individuals and companies. Once completed, all other systems within the Department will be linked and updated from the main system. This information will assist policy makers and other stakeholders interested in changes in labour market trends to review policies and propose new interventions in the labour market. In addition to this milestone, completing and implementing the Department's executive dashboard system remains a key strategic priority for improving service delivery in the Department.

## 1.2 Spending trends

- 1.2.1 The original allocation for Vote 18: Labour, as included in the Estimates of National Expenditure for 2011, was reflected as R 1 981 458 000. This included a provision in respect of transfer payments to the value of R 599 402 000.

During the 2011 Adjustment Budget process, the allocation for Vote 18: Labour increased by R35, 925 million or 1.81%.

The final allocation for Vote 18: Labour therefore reflected in the Adjusted Estimates of National Expenditure as R2 017 383 000.

The adjustment was made up as follows		R'000
Funds approved to be rolled-over from the previous financial year		R 2 943
Funds approved for unforeseen and unavoidable circumstances		R 26 500
Compensation Fund - claims made by public servants relating to injuries sustained or occupational illnesses/diseases contracted while on duty.		
Other:		
Compensation of Employees		R 6 482
<b>Total</b>		<b>R 35 925</b>

- 1.2.2 As per the Appropriation Statement for the Department of Labour, in respect of the 2011/12 financial year, the total expenditure defrayed against the Vote is recorded as R 2, 007, 122 million. This represents an expenditure level of 99.5%. An underutilisation of R 10, 261 million or 0.5% is reflected

The underutilisation is reflected under the following economic classifications		R'000
Current Payments		
Compensation of employees		R 609
Goods and Services		R 5 953
Transfers and Subsidies		R 620
Payments for Capital Assets		R 3 079
<b>Total</b>		<b>R10 261</b>

- 1.2.3 Reasons for under spending:

The under spending on Payments for Capital Assets and Goods and Services is mainly attributable to less than anticipated orders being processed for the procurement of new office furniture and equipment.

The under spending on transfers and subsidies is attributable to less than anticipated expenditure by the National Councils for the Blind, Physical Disabled and the Deaf Federation of South Africa.

The Department was also expected to pay certain services such as SAPS VIP Police, NIA and Emergency Medical Services during the 12<sup>th</sup> ILO African Regional Meeting, however when stakeholders submitted their claims in terms of services rendered the final amounts were much lower than what was initially projected.

## 1.3 Virement applied

- 1.3.1 Virement was applied as follows:

Programme			
Shifted From	Shifted To		R'000
2. Inspection and Enforcement Services	1. Administration		R 3 541
3. Public Employment Services	1. Administration		R 2 090
4. Labour Policy and Industrial Relations	1. Administration		R 2 947
<b>Total</b>			<b>R 8 578</b>

Programme		
Shifted From	Shifted To	R'000
2. Inspection and Enforcement Services	3. Public Employment Services	R 10 000
<b>Total</b>		<b>R 10 000</b>

### 1.3.2 Reasons for applying Virement:

11.3.2.1 An amount of R 10, 000 million was shifted from Programme 2: Inspection and Enforcement Services (Compensation of Employees) to Programme 3: Public Employment Services (Transfers and Subsidies) in order to increase the provision made in respect of the Sheltered Employment Factories (SEF), aimed at funding operational losses of the SEF. This Virement was approved by the National Treasury on 29 February 2012, in line with Treasury Regulation 6.3.1.

1.3.2.2 An amount of R 3, 541 million from Programme 2: Inspection and Enforcement Services, R2, 090 million from Programme 3: Public Employment services and R2, 947 million from Programme 4: Labour Policy and Industrial Relations, was shifted to Programme 1: Administration during the final Virement process to offset over expenditure regarding Programme 1. This Virement was approved by the Accounting Officer in line with Section 43 of the Public Finance Management Act (PFMA – Act 1 of 1999).

1.3.2.3 In terms of Treasury Regulation 6.3.1 (a) an amount of R4 095 043 was approved by National Treasury, on 8 March 2012, for the payment to the International Labour Organisation by applying Virement from compensation of employees and goods and services within Programme 4: Labour Policy and Industrial Relations.

### 1.4 Impact on programmes and service delivery

No negative impact was reported.

### 1.5 Actions taken or planned, to avoid recurrence

Expenditure relating to the procurement of office furniture and equipment will be closely monitored during the 2012/13 financial year.

### 1.6 Unauthorised, Fruitless and Wasteful / Irregular expenditure

1.6.1 Irregular Expenditure incurred by the Department is disclosed in Note 24 of the Annual Financial Statements. As at 31 March 2011, the Department incurred Irregular Expenditure to the amount of R 10 230 707,03.

During the 2011/2012 financial year, the Department incurred Irregular Expenditure to the amount of R 15 688 60,54. An amount of R 795 879,03 has been condoned by the Accounting Officer in accordance with National Treasury Practice Note no. 4 of 2008 during the 2011/12 financial year.

## 2 SERVICES RENDERED BY THE DEPARTMENT

### 2.1 List of services

2.1.1 The Department of Labour is a service rendering National Department which operates in all Provinces of the Republic. In line with its strategic plan, the Department focuses on the delivery of the following core services:

2.1.1.1 Inspection and Enforcement Services

2.1.1.2 Public Employment Services

2.1.1.3 Labour Policy and Industrial Relations.

2.1.2 In providing these core services, the Department is structured into the following Main Divisions of the Vote:

2.1.2.1 Programme 1: Administration

Provide management, strategic and administrative support services to the ministry and the department.

2.1.2.2 Programme 2: Inspection and Enforcement Services

Ensure the implementation of and compliance with Department of Labour policies and programmes through monitoring, evaluation and inspections.

2.1.2.3 Programme 3: Public Employment Services

Assist companies and workers to adjust to changing labour market conditions. Regulate private employment agencies.

2.1.2.4 Programme 4: Labour Policy and Industrial Relations

Facilitate the establishment of an equitable and sound labour relations environment and the promotion of South Africa's interests in international labour matters through research, analysing and evaluating labour policy, and providing statistical data on the labour market, including providing support to institutions that promote social dialogue.

## 2.2 Tariff Policy

2.2.1 The Department determines tariffs for services rendered according to the Occupations Health and Safety Act 1993 (Act no. 85 of 1993 and the Labour Relations Act (Act no. 66 of 1995).

## 2.3 Free Services

2.3.1 None.

## 2.4 Inventories

2.4.1 Inventories on hand, as at year-end, are disclosed in Annexure 5 of the Annual Financial Statements.

## 3 CAPACITY CONSTRAINTS

3.1 As at 31 March 2012 the Department had an establishment of 3 473 posts, of which 3 451 posts are funded and 22 are additional to the establishment. The number of filled posts increased from 2 765 in 2008/09 to 3 173 in 2011/12. The increase between 2008/09 and 2011/12 is due to the filling of all critical posts. There are 300 vacancies within the Department of which most of the vacant posts are at salary level 5 in the Administration and Inspection and Enforcement Services programmes. The delays in filling these posts are attributed to the National Intelligence Agency process in vetting applicants.

## 4 UTILISATION OF DONOR FUNDS

4.1 During the year under review, the Department did not receive or utilise any donor funds.

## 5 PUBLIC ENTITIES

### 5.1 The following public entities listed in Schedule 3 of the Public Finance Management Act, No. 1 of 1999 reported to the Minister of Labour, and separate Annual Reports and Financial Statements are published independently:

- Commission for Conciliation, Mediation and Arbitration (CCMA)
- Compensation Fund (CF)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Unemployment Insurance Fund (UIF).

### 5.2 Commission for Conciliation, Mediation and Arbitration (CCMA)

Section 112 of the Labour Relations Act, 1995 (LRA). established the CCMA with the following functions, to:

- Attempt to resolve disputes through conciliation and arbitration
- Assist in the establishment of workplace forums
- Compile and publish information and statistics about its activities
- Advise a party on the procedure to follow in respect of a dispute in terms of this Act
- Assist a party to obtain legal advice, assistance or representation in respect of a dispute
- Offer to resolve a dispute that has not been referred to the Commission through conciliation
- Conduct, oversee or scrutinise any election or ballot of a registered trade union or registered employers' organisation if requested to do so
- Publish guidelines in relation to any matter dealt with in this Act
- Conduct and publish research into matters relevant to its functions
- Provide, upon request, to workers, employers, registered trade unions, and registered employers' organisations, federations of trade unions, federations of employers' organisations or councils with advice on training relating to the primary objects of the LRA
- Perform any other duties imposed, and exercise any other powers conferred on it by or in terms of the LRA and perform any other function entrusted to it by any other law
- Detailed information for the CCMA performance and financial status is available in the Published Annual Report.

Comparative information for the 2010/11 and 2011/12 financial years are as follows:

DISPUTE RESOLUTIONS	2011/12 Audited		2010/11 Audited	
	Number of cases	%age	Number of cases	%age
Jurisdiction referrals	126 040	N/A	119 362	N/A
Pre-conciliations heard	20 578	16%	18 205	15%
Pre-conciliations settled (of jurisdiction cases)	10 699	8%	8 533	7%
Con-arbs heard (of jurisdiction referrals)	51 701	41%	49 222	41%
Con-arbs finalised of jurisdiction referrals	44 935	36%	41 086	34%
Cases settled (based on finalised cases)	79 156	N/A	71 976	N/A

- New Developments

The CCMA participates in the Training Layoff Scheme by providing Advisory Awards to the Project Evaluation Committee regarding the eligibility of employers and employees to partake in this scheme, as an alternative to retrenchment.

### 5.3 Compensation Fund (CF)

The Compensation Fund administers the Compensation for Occupational Injuries and Diseases Act (1993) as amended. In terms of the Act, the Fund's main objective is to provide compensation for disability, illness and death resulting from occupational injuries and diseases. The Fund generates its revenue from levies paid by employers, which consists mainly of annual assessments paid by registered employers on the basis of a percentage or fixed rate of the annual earnings of their employees.

The Compensation for Occupational Injuries and Diseases Act (1993), however, makes provision for a minimum assessment to ensure that the assessment is not less than the administration costs incurred.

During the past few years, considerable strides were made to reduce the service delivery challenges experienced by the Fund and its clients. To this end, the Fund has worked tirelessly to improve services to beneficiaries with regards to, among others, shortening the turnaround time and improving access for beneficiaries as well as improving communication with stakeholders. In order to meet its key strategic priority of improving the health profile of the nation, the Fund has set itself to focus on the following initiatives:

- Intensify the implementation of the Rehabilitation and Reintegration Policy Framework
- Enlist the help of tracing agents to contact injured employees and dependants and obtain outstanding information to finalise claims. This will reduce the number of outstanding claims
- Decentralised the medical claims functions to the Provincial Offices
- Conduct a study on all employees on pension and those who require prosthetic devices, in order to compile a database for the Fund.

#### 5.4 National Economic, Development and Labour Council (NEDLAC)

NEDLAC was established under section 2 of the National Economic Development and Labour Council Act, 1994 (NEDLAC Act). The functions of the Council are to:

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament
- Encourage and promote the formulation of co-ordinated policy on social and economic matters.

Detailed information on the NEDLAC performance and financial status is available in the Published Annual Report. Comparative performance examples for the 2010/11 and 2011/12 financial years are as follows:

PERFORMANCE	2010/11	2011/12
Section 77*	3	7
Research reports*	10	6
Acts under review*	1	6
Policy*	6	5

**\*Section 77** – Protest action to promote or defend socio-economic interests of workers – NEDLAC had three notices, in the period of 2010/11 COSATU, NACTU and FEDUSA on the electricity tariff increases. SOLIDARITY regarding the inability of the SAPS to combat crime efficiently. COSATU, NACTU and FEDUSA on the extensive deterioration of the quality of water. The three Notices served to NEDLAC were carried to the following year: 2011/12 COSATU (Eastern Cape) on the poor service delivery by the Eastern Cape Provincial Government. COSATU and NACTU on labour brokers, COSATU and FEDUSA on E-Tolling and COSATU (Western Cape) failure of Metrorail to adhere to the agreement of 2008 to reduce overcrowding, upgrading of the rolling stock and proper safety and security measures.

**\*Research reports – 2010/11** = Retail Sector Study, Listed Chemicals NCC/MCCM, Labour Intensive Sector, Essential Oils, Water Infrastructure, Water Accord Business Plan, Administered Prices, Regional Investment – the role of SA Business in Africa/South African outward investment, COMESA-EAC-SADC FTA and National Appliance and Equipment Energy Action Plan. 2011/12 = Administered Pricing, Hydrochlorofluorocarbons (HCFC) phase out plan for South Africa, Essential Oils, Appliance Energy Efficiency, NCCP Business plan and Regional Investment.

**\*Acts under review -2010/ 11** = Municipal Systems Amendment Bill, 2011/2012 Cooperatives Amendment Bill, Rental Housing Amendment Bill, Superior Courts Bill, Independent System and Market Operator Bill (ISMO), Amendments to the Basic Conditions of Employment Act (BCEA) and Amendments to the Labour Relations Act (LRA). All NEDLAC Reports were submitted to the Minister of Labour and the Ministers concerned.

**\*Policies under review- 2010/11** = Expanded Public Works Programme Code of Good Practice, Social Plan Review,

Standard Quality Accreditation (SQAM), Preferential Procurement Regulations, Road Accident and no Fault Policy, Metered Taxi Implementation Strategy, 2011/12 = Climate Change, Water Quality Risks, Legal Metrology, Small Scale Fisheries, Policy position paper on Water use efficiency in Buildings.

- New Developments

Labour Market Policy Review on existing labour laws in process.

### 5.5 Productivity South Africa (PSA)

Productivity South Africa is listed as a Public Entity in Schedule 3A of the Public Finance Management Act (Act No. 1 of 1999 as amended). It is established as a Section 21 Company (Incorporated association without gain), under the Companies Act, 1973, with the following functions:

- To promote a culture of productivity in workplaces
- To develop relevant productivity competencies
- To facilitate and evaluate productivity improvement and competitiveness in workplaces
- To measure and evaluate productivity in the workplace
- To maintain a data-base of productivity and competitiveness systems and publicising these systems
- To undertake productivity-related research
- To support initiatives aimed at preventing job losses
- Detailed information on the PSA performance and financial status is available in the Published Annual Report.

Comparative information for the 2010/11 and 2011/12 Financial years are as follows:

Indicators	2010/11 Audited	2011/12 Audited
Number of education, training and development service providers trained as productivity trainers per year	650	679
Number of ETD service providers and productivity trainers accredited / Licensing of external service providers	26	–
Number of emerging entrepreneurs trained in productivity improvement and competencies per year	3 000	3 791
Number of skills development facilitators trained in productivity per year	200	64
Number of managers and workers trained per year to enhance productivity competencies and mind-sets in private and public enterprises	620	867
Number of future forums established per year at companies with turnaround solutions	140	3

### 5.6 Unemployment Insurance Fund (UIF)

Section 4 of the Unemployment Insurance Act (Act No. 63 of 2001) established the UIF to provide for the payment from the Fund of ordinary unemployment benefits to qualifying employees, including maternity, illness, adoption and dependants' benefits related to the unemployment of such employees.

The Fund strives to contribute to the alleviation of poverty in South Africa by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits.

The Unemployment Contributions Act (Act No. 4 of 2002) empowers the SARS Commissioner to collect monthly contributions from both employers and workers.



- Detailed information on the UIF performance and financial status is available in the Published Annual Report. Comparative information for the 2010/11 and 2011/12 financial years are as follows:

Indicators	2010/11 R'000 AUDITED	2011/12 R'000 AUDITED
Total contribution revenue collected	11 336 500	12 441 164
Benefits paid (R)	5 382 397	5 612 284
Total number of beneficiaries	732 158	705 855
Total number of employers registered	1 350 651	1 408 205
Total number of employees registered	7 919 290	8 125 575
Investment revenue	3 555 312	4 213 972

The UIF provides funding toward the Training Layoff Scheme which allows employers and employees to participate in this scheme as an alternative to retrenchment, subject to eligibility. In addition, the Minister of Labour approved in principle projects to provide funding to unemployment alleviation schemes which includes up-skilling/training to the unemployed and Social Plan Funding. The up-skilling/training are executed in close relationship with the National Skills Fund and the various Sector Education Training Authorities (SETA's).

During the period under review, the Unemployment Insurance Fund together with the Industrial Development Corporation (IDC) enhanced their strategic relationship and interaction. In addition to the R2 billion five-year private placement bond that was issued by the IDC, and in turn subscribed by the UIF in April 2010, the UIF approved in principle four additional bonds of R500 million each to be registered by the IDC and taken up by the UIF. The first R500 million bonds were approved in August 2011 and the second and third bonds were approved in December 2011 amounting to R1, 5 billion in social responsibility investments.

## 5.7 Other Entities

### 5.7.1 Sheltered Employment Factories (SEFs)

The Sheltered Employment Factories (SEFs) were established in 1943 to provide employment for people with mental and physical disabilities that prevented them from entering the open labour market, due to the nature of their afflictions. The factories have operated without enabling legislation since inception, except for a Cabinet Memorandum, first compiled in 1947 and they are currently in process of developing a business case to determine its form and legal persona, however the Auditor-General views it to be a Trading Entity and it is being audited as such.

Of the 917 factory workers currently employed, 80% are intellectually / mentally / psychologically challenged.

There are currently 12 factories across the country in seven provinces. Income from the factories are generated from sales of manufactured goods which include wood and metal furniture, hospital commodities, linen, bedding, protective clothing, garments, upholstery, bookbinding and screen printing. The income from sales, supplemented by subsidy transfers from the Department of Labour, covers the operating expenses of the factories.

It is the vision of the factories to transform and expand direct employment for people with intellectual and multiple disabilities, and to develop as a provider of quality training for people with disabilities to enable and facilitate their transition into the open labour market.

## 6 ORGANISATIONS TO WHICH TRANSFER PAYMENTS HAVE BEEN MADE

6.1 Organisations, to which transfer payments have been made for the year under review, are disclosed in Annexure 1 of the Annual Financial Statements.

## 7 PUBLIC PRIVATE PARTNERSHIPS (PPP)

7.1 The Information Technology Public/Private, Partnership Agreement (IT PPP) was concluded and implemented on 1 December 2002, aimed at providing an IT enablement to the Department as well as the Unemployment Insurance and Compensation Funds, for a period of 10 years, ending 30 November 2012 (disclosed in Note 27 of the AFS).

## 8 CORPORATE GOVERNANCE ARRANGEMENTS

### 8.1 Governance Structures and Responsibilities

In an on-going effort to ensure that the Department is managed responsibly and ethically, reviews and updates are done for governance processes and practices. The Department operates according to the understanding that ethical and effective corporate governance requires a combination of internal regulation and compliance with regulatory environment in which it conducts its business.

Management is compliant with and guided by, inter alia, the provisions of the Public Finance Management Act, Public Service Act and other legislation and governance principles. The King III report brings about added compliance requirements that moving forward, the Department will embrace and comply with.

### 8.2 Risk Management

Risk Management approach, system and processes are embodied into the culture and practices of the organisation. The effective management of risks is critical to the achievement of the Department's objectives. The Risk Management Unit of the Department is imperative for the Department to fulfil its mandate, the service delivery expectation of the public and the performance expectation within the institution. The risk management unit assists with the facilitation and management of the risk management processes in the Department. The risk management activities are conducted to mitigate risks and threats so as to minimise and /or prevent deficiencies of any nature. The unit has a mandate to implement risk management processes, to build a culture of risk management, to ensure that all major risks are identified, managed and reported on and to monitor the entire risk-profile of the Department.

During the period under review, risk-reviews were done on both strategic and operational level for the entire organisation. These processes are supplemented by comprehensive risk register and risk control matrixes that are used as monitoring tools. Furthermore, a risk framework for monitoring of the prioritised risks was developed.

The risk management activities of the Sheltered Employment Factories (SEF) are performed by the Department of Labour's Risk Management Unit. During the period under review a Risk Management Strategy and Policy for SEF were developed and approved. The focus for 2012/13 is on proper implementation.

### 8.3 Management of Conflict of Interest

The Department has implemented processes to minimise conflict of interest. These processes are as a result of legislative requirements and best practices that we intend to enrich. All members of the Senior Management Service (SMS) are required to declare their business interests annually. All other officials are required to follow the prescribed disclosure mechanisms should they perform remunerative work outside of the Public Sector.

Critical to strengthening organisational integrity, and in addition to the above, pre-employment screening, vetting processes of both employees and service providers; declarations during recruitment processes; supply chain practitioners signing the Code of Conduct; and the signing of declaration by the oversight committee members are amongst others initiatives implemented to manage possible conflict of interest.

## 8.4 Fraud Prevention

The Department has a formalised Fraud Prevention Plan to prevent, detect and investigate fraudulent activities and to protect assets and other resources from any dishonest and unethical conduct. The Fraud Prevention Plan ensures that the Department addresses all fraud related cases and manage fraud risks effectively. In responding to the new developments in the public sphere, the Fraud Prevention Strategy/ Plan have been recently reviewed. Fraud risk assessments were conducted as part the operational risk assessments and reviews. Mitigation plans were also developed. Continuous awareness campaigns were conducted in all Provinces, including SEF, in accordance with the approved Fraud Prevention Plan. In furtherance to the implementation of the fraud strategy, the Department has entrenched its reporting leg with the development of the whistle blowing policy. The focus for 2012/13 is on creating awareness of the whistle blowing policy for proper implementation.

## 8.5 Oversight Structures

### 8.5.1 Risk Committees

The Department established a National Risk Committee to strengthen its risk management processes. The committee convened during the year and has been fundamental to ensure a comprehensive risk management process.

The Risk Committee of the Department is constituted of an independent member (Chairperson), a member from the Audit Committee, the Chief Operations Officer, the Chief Financial Officer, the Chief Information Officer, a Chief Director: Provincial Operations and four Chief Directors from Head Office.

The Departmental Provincial Risk Management Committees were established in the 2008/09 financial year and have been operating since. The risk committees constituted of the Chief Director: Provincial Operations (Chairperson), all Deputy Directors and all Assistant Directors: Labour Centre Operations.

### 8.5.2 Audit Committee and the Internal Audit Unit

The Audit Committee of the Department is constituted of independent members and remained instrumental in providing independent advise to the entire Department. The Audit Committee also provide oversight responsibilities to the Sheltered Employment Factories. The committee has met four times during the year for its operations, and also met the Accounting Officer in a separate special meeting to present its half-year report on all its activities.

The Internal Audit Unit reports administratively and functionally to the Accounting Officer and Audit Committee respectively. The Internal Audit Unit has played a crucial role as an input advisor to the committee. The Internal Audit planning processes is based on the risk profile of the Department, also considering Audit Committee and management requests. The Internal Audit Unit presented its annual internal audit plan to the Audit Committee for approval and progress reports were provided on a quarterly basis. The Audit Committee is generally satisfied with the work of Internal Audit as provided in its reports to the Accounting Officer and resolutions of the Audit Committee meetings.

## 9. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

The Department has not identified any activities to be discontinued. However, in line with the recommendations of the ILO task team evaluating the structure of the Department, a name change was proposed and effected to Programme 4, as follows:

2010/11 – Programme 4: Labour Policy and Labour Market Programmes

2011/12 – Programme 4: Labour Policy and Industrial Relations.

## 10. NEW/PROPOSED ACTIVITIES

No new activities have been proposed.

The Department's budget structure for the 2011/2012 financial year is reflected as follows:

Programme 1:	Administration (Unchanged)
Programme 2:	Inspection and Enforcement Services (IES) (Unchanged)
Programme 3:	Public Employment Services (PES) (Unchanged)
Programme 4:	Labour Policy and Industrial Relations (Revised).

## 11. ASSET MANAGEMENT

### 11.1 Progress with regard to capturing assets in an asset register:

All assets have been captured on the Department's Integrated Asset Management System (IAMS).

### 11.2 The IAMS system, from which the Department's asset register is drawn, complies with the minimum requirements, as prescribed by National Treasury.

### 11.3 All assets are recorded in the asset register and a reconciliation of assets between the asset register and the Basic Accounting System has been performed.

### 11.4 Constraints have been experienced in respect of the LOGIS system, which does not provide for an asset management system.

## 12. EVENTS AFTER THE REPORTING DATE

The IT Public-Private Partnership will expire on 30 November 2012. Steps to address the transition are as follows:

- Finalisation and implementation of an exit and services transfer strategy
- Development of a new ICT Strategy and roadmap
- Feasibility study conducted on a new service delivery roadmap
- Management of the transition by a steering committee.

## 13. PERFORMANCE INFORMATION

In this respect, policies relating to the quarterly and annual monitoring and evaluation processes were adhered to and source documentation/information substantiating such reported performance is available. Quarterly Performance Reports were compiled and submitted in line with the applicable prescripts.

## 14. SCOPA RESOLUTIONS

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
<p><b>4<sup>th</sup> SCOPA report – dated 16 November 2010 for the 2008/09 financial year</b></p>	<p><b>Capital assets</b> The Committee recommends that the Accounting Officer ensures that:</p> <ul style="list-style-type: none"> <li>a. The Department employs professionally skilled personnel and that on-going monitoring and supervision are undertaken to enable management to determine whether controls are present and functioning</li> <li>b. Personnel with adequate skills are employed</li> <li>c. The head of human resources and senior management fills vacant posts urgently</li> <li>d. Disciplinary action is taken against management and staff who fail to perform their duties as required</li> <li>e. Management implements a performance management system where staff performance is evaluated against specific key performance areas to enable management to take appropriate steps based on agreed deliverables.</li> </ul>	<p>The SCOPA resolutions were implemented during the 2009/10 financial year and subsequently, the audit findings were not reported in the 2010/11 Audit Report.</p> <p>Furthermore, the Department received an unqualified audit report compared to the previous financial year.</p>

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
<p><b>4<sup>th</sup> SCOPA report</b></p>	<p><b>Governance Issues:</b> The Committee recommended that the Accounting Officer ensures that:</p> <ul style="list-style-type: none"> <li>a. The Department's Audit Committee takes corrective action with regard to internal control deficiencies</li> <li>b. Personnel with adequate skills are employed</li> <li>c. The head of human resources and senior management fills vacant posts urgently</li> <li>d. Disciplinary action is taken against management and staff who fail to perform their duties as required</li> <li>e. Management implements a performance management system where staff performance is evaluated against specific key performance areas to enable management to take appropriate steps based on agreed deliverables.</li> </ul>	<p>Recommendation implemented.</p> <p>Recommendation implemented.</p> <p>Recommendation implemented.</p> <p>Recommendation implemented.</p> <p>The Department has an appraisal system in place to evaluate staff performance against predetermined objectives.</p>
<p><b>4<sup>th</sup> SCOPA report</b></p>	<p><b>Non-compliance with Laws and Regulations:</b> The Committee recommended that the Accounting Officer ensures that:</p> <ul style="list-style-type: none"> <li>a. Control activities are identified and developed with consideration of their cost and their potential effectiveness in mitigating risks</li> <li>b. Management implements a fraud prevention plan</li> <li>c. Management maintains an effective risk management policy which continuously evaluates and updates the financial management and internal control risks</li> </ul>	<p>The following actions have been undertaken by the Risk Management Unit:</p> <ul style="list-style-type: none"> <li>• Strategic and operational risk assessments are conducted and reports are available</li> <li>• Risk Management Committees established at Head Office and Provincial Offices</li> </ul> <p>Fraud Prevention Plan has been developed and approved</p> <p>Risk monitoring is conducted on a continuous basis</p>

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
4 <sup>th</sup> SCOPA report	d. Reasonable steps are taken to recover debts before they are written off and further steps are taken to recover debts from the individuals responsible	The SCOPA resolutions were implemented during the 2009/10 financial year and subsequently, the audit findings were not reported in the 2010/11 Audit Report
	e. Criminal charges are laid against individuals who have committed financial misconduct	Recommendation implemented
	f. Internal control deficiencies are identified and communicated in a timely manner to those responsible for taking corrective action	Recommendation implemented
	g. An effective and well capacitated internal audit division is established	Recommendation implemented
	h. Management implements regular assessments of supply chain performance to ensure that deficiencies are corrected	Management implemented regular assessments of supply chain performance to ensure that deficiencies are corrected
	i. The entity addresses areas of responsibility and establishes lines of reporting in order to support effective internal control over financial reporting; and that effective policies and procedures in relation to financial reporting are established and communicated.	Financial Reporting unit established. Effective policies and procedures in relation to financial reporting are in place and were communicated to all users of financial systems

**15. PRIOR MODIFICATIONS TO AUDIT REPORTS**

Audit report and important matters in the management report for the 2010/11 financial year		
Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Action Plan	Progress Status
<b>MATTERS OF NON-COMPLIANCE</b>		
<b>Procurement and contract management</b>		
The Department did not comply in certain instances with National Treasury Practice Note 8 of 2007/08 for transactions between R10 000 and R500 000 and those exceeding R500 000 (VAT included), as the accounting officer did not invite written quotations of competitive bids respectively as required.	The accounting officer must invite written quotations of competitive bids respectively as required	Action plan implemented and finalised
In certain instances awards were made to suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state as per the requirements of Treasury regulation 16A8.3 and Practice note 7 of 2009/10	Before the bid-adjudication process commences, Supply Chain Management is to ensure that all documentation including Declaration of Interest forms are completed	Checklist implemented to ensure that all relevant documentation is completed before the bid-adjudication process
[96] In certain instances awards were made to suppliers who did not submit a declaration of past supply chain practices such as fraud, abuse and non-performance as per the requirements of Treasury regulation 16A9.1 (a) and Practice Note 4 of 2006	Before the bid-adjudication process commences, Supply Chain Management to ensure that all documentation including Declaration of Interest forms are completed	Action plan implemented and finalised
<b>Human resource management and compensation</b>		
The accounting officer did not ensure that performance assessments of senior managers were conducted during the year as required by Public Service Regulations paragraph B1	SMS members who do not comply shall not qualify for any performance incentive, including any pay progression	Action plan implemented and finalised
The accounting officer did not ensure that funded vacant posts were filled within 12 months after becoming vacant as per the requirements of Public Service Regulations C.1A.2	The Department to expedite filling of vacant posts	Monitoring done on a monthly basis



**Audit report and important matters in the management report for the 2010/11 financial year**

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Action Plan	Progress Status
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**Expenditure management**

The accounting officer did not take effective and appropriate steps to prevent and detect irregular expenditure as per the requirements of section 38(1) (c) (ii) of the PFMA and Treasury Regulation 9.1.1. The Department incurred irregular expenditure due to procedures that were not always adhered to	The Department to implement Irregular Expenditure Registers at Head Office and Provincial Offices	Reports / registers monitored on a monthly basis and reported in the IFS
The accounting officer did not ensure that all payments due to creditors are settled within 30 days from receipt of an invoice as per the requirements of section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3	Registers of orders in place to monitor payments  Reasons to be provided, why the creditor was not paid within 30 days after receipt of the invoice	Action plan implemented and finalised
The accounting officer did not ensure that the public private partnership (PPP) agreement is properly implemented, managed, enforced, monitored and reported on as required by Treasury Regulations, paragraph 16.7.10	PPP to be monitored at management meetings. Progress reports to be signed-off before the quarterly unitary fee payment	Action plan implemented and finalised  PPP reported in the Annual Report of the Department as prescribed by National Treasury

**Asset management**

The accounting officer did not take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse as required by section 38(1)(d) of the PFMA and Treasury Regulations 10.1. A significant number of minor assets were recorded in the asset register without locations and barcodes	Minor assets to be barcoded when purchased and linked to the asset register  Reconciliation between BAS / Logis and Integrated Asset Management System to be performed monthly	Minor assets barcoded when purchased and linked to the asset register  Reconciliations performed on a monthly basis
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## 16. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

None

## 17. INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were prepared in accordance with National Treasury prescripts and submitted within the required timeframes.

The amounts reported in the Financial Statements were reconciled with the financial systems prior to submission thereof to National Treasury.

The Interim Financial Statements were approved by the Accounting Officer.

## 18. APPROVAL

The Annual Financial Statements for the 2011/12 financial year have been approved by the Accounting Officer on 30 May 2012.



Mr. NPT Nhleko | Director-General of Labour

Appropriation per programme									
APPROPRIATION STATEMENT	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. ADMINISTRATION</b>									
Current payments	580 743	–	9 234	589 977	589 977	–	100.0%	600 146	600 142
Transfers and subsidies	255	–	515	770	770	–	100.0%	2 684	2 684
Payments for capital assets	117 457	–	(1 844)	115 613	112 850	2 763	97.6%	82 273	79 635
Payments for financial assets	–	–	673	673	673	–	100.0%	19	19
<b>2. INSPECTION AND ENFORCEMENT SERVICES</b>									
Current payments	389 091	(10 000)	(4 014)	375 077	375 077	–	100.0%	328 588	328 588
Transfers and subsidies	199	–	384	583	583	–	100.0%	429	429
Payments for capital assets	–	–	89	89	89	–	100.0%	356	356
<b>3. PUBLIC EMPLOYMENT SERVICES</b>									
Current payments	196 168	–	(4 137)	192 031	192 031	–	100.0%	174 138	174 138
Transfers and subsidies	128 391	10 000	292	138 683	138 158	525	99.6%	115 200	114 958
Payments for capital assets	250	–	1 755	2 005	2 005	–	100.0%	3 670	162
<b>4. LABOUR POLICY AND INDUSTRIAL RELATIONS</b>									
Current payments	107 050	(4 095)	(2 966)	99 989	93 427	6 562	93.4%	85 109	82 169
Transfers and subsidies	497 422	4 095	19	501 536	501 441	95	100.0%	443 147	442 967
Payments for capital assets	357	–	–	357	41	316	11.5%	64	63
<b>TOTAL</b>	<b>2 017 383</b>	<b>–</b>	<b>–</b>	<b>2 017 383</b>	<b>2 007 122</b>	<b>10 261</b>	<b>99.5%</b>	<b>1 835 823</b>	<b>1 826 310</b>
<b>Reconciliation with statement of financial performance</b>									
ADD Departmental receipts				7 637	–			9 036	–
Actual amounts per statement of financial performance (total revenue)				<u>2 025 020</u>	–			<u>1 844 859</u>	–
Actual amounts per statement of financial performance (total expenditure)					<u>2 007 122</u>				<u>1 826 310</u>

	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	786 312	(11 195)	(16 625)	758 492	757 883	609	99.9%	681 530	681 530
Goods and services	486 740	(2 900)	14 712	498 552	492 599	5 953	98.8%	506 381	503 439
Interest and rent on land	–	–	30	30	30	–	100.0%	71	71
<b>Transfers and subsidies</b>									
Provinces and municipalities	12	–	39	51	51	–	100.0%	54	54
Departmental agencies and accounts	542 184	–	–	542 184	542 183	1	100.0%	457 990	457 948
Foreign governments and international organisations	10 211	4 095	–	14 306	14 211	95	99.3%	10 883	10 703
Non-profit institutions	73 258	10 000	–	83 258	82 734	524	99.4%	89 394	89 196
Households	602	–	1 171	1 773	1 773	–	100.0%	3 138	3 137
<b>Payments for capital assets</b>									
Buildings and other fixed structures	3 996	–	575	4 571	4 572	(1)	100.0%	3 771	3 117
Machinery and equipment	114 068	–	(575)	113 493	110 413	3 080	97.3%	82 582	77 086
Software and other intangible assets	–	–	–	–	–	–	–	10	10
<b>Payments for financial assets</b>	–	–	673	673	673	–	100.0%	19	19
<b>Total</b>	<b>2 017 383</b>	<b>–</b>	<b>–</b>	<b>2 017 383</b>	<b>2 007 122</b>	<b>10 261</b>	<b>99.5%</b>	<b>1 835 823</b>	<b>1 826 310</b>

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Detail per sub-programme	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 MINISTER</b>									
Current payments	12 700	–	2 614	15 314	15 314	–	100.0%	1 825	1 824
Transfers and subsidies	–	–	316	316	316	–	100.0%	904	904
Payments for capital assets	96	–	780	876	876	–	100.0%	–	–
<b>1.2 MANAGEMENT</b>									
Current payments	303 317	–	27 472	330 789	330 789	–	100.0%	317 314	317 311
Transfers and subsidies	255	–	136	391	391	–	100.0%	1 483	1 483
Payments for capital assets	89 608	–	(8 894)	80 714	78 138	2 576	96.8%	77 284	76 162
<b>1.3 CORPORATE SERVICES</b>									
Current payments	49 206	–	4 490	53 696	53 696	–	100.0%	39 644	39 644
Transfers and subsidies	–	–	–	–	–	–	–	274	274
Payments for capital assets	422	–	–	422	383	39	90.8%	525	191
<b>1.4 OFFICE OF THE CHIEF FINANCIAL OFFICER</b>									
Current payments	68 032	–	(5 526)	62 506	62 506	–	100.0%	62 977	62 977
Transfers and subsidies	–	–	63	63	63	–	100.0%	23	23
Payments for capital assets	250	–	(89)	161	13	148	8.1%	722	194
Payments for financial assets	–	–	673	673	673	–	100.0%	19	19
<b>1.5 OFFICE ACCOMMODATION</b>									
Current payments	147 488	–	(19 816)	127 672	127 672	–	100.0%	178 386	178 386
Payments for capital assets	27 081	–	6 359	33 440	33 440	–	100.0%	3 742	3 088
<b>Total</b>	<b>698 455</b>	<b>–</b>	<b>8 578</b>	<b>707 033</b>	<b>704 270</b>	<b>2 763</b>	<b>99.6%</b>	<b>685 122</b>	<b>682 480</b>

Programme 1 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	259 119	-	7 996	267 115	267 115	-	100.0%	239 465	239 465
Goods and services	321 624	-	1 208	322 832	322 832	-	100.0%	360 610	360 610
Interest and rent on land	-	-	30	30	30	-	100.0%	71	71
<b>Transfers and subsidies</b>									
Provinces and municipalities	12	-	38	50	50	-	100.0%	54	54
Households	243	-	477	720	720	-	100.0%	2 630	2 630
<b>Payments for capital assets</b>									
Buildings and other fixed structures	3 996	-	561	4 557	4 557	-	100.0%	3 771	3 117
Machinery and equipment	113 461	-	(2 405)	111 056	108 293	2 763	97.5%	78 492	76 504
Software and other intangible assets	-	-	-	-	-	-	-	10	10
<b>Payments for financial assets</b>	-	-	673	673	673	-	100.0%	19	19
<b>Total</b>	<b>698 455</b>	<b>-</b>	<b>8 578</b>	<b>707 033</b>	<b>704 270</b>	<b>2 763</b>	<b>99.6%</b>	<b>685 122</b>	<b>682 480</b>

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Detail per sub-programme	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 MANAGEMENT AND SUPPORT SERVICES: INSPECTION AND ENFORCEMENT SERVICES</b>									
Current payments	12 052	-	1 312	13 364	13 364	-	100.0%	8 371	8 371
Transfers and subsidies	-	-	-	-	-	-	-	2	2
Payments for capital assets	-	-	-	-	-	-	-	82	82
<b>2.2 OCCUPATIONAL HEALTH AND SAFETY</b>									
Current payments	16 946	-	2 858	19 804	19 804	-	100.0%	15 670	15 670
Transfers and subsidies	-	-	101	101	101	-	100.0%	9	9
Payments for capital assets	-	-	18	18	18	-	100.0%	172	172
<b>2.3 REGISTRATION: INSPECTION AND ENFORCEMENT SERVICES</b>									
Current payments	82 458	(2 000)	(369)	80 089	80 089	-	100.0%	61 241	61 241
Transfers and subsidies	68	-	61	129	129	-	100.0%	87	87
<b>2.4 COMPLIANCE, MONITORING AND ENFORCEMENT</b>									
Current payments	274 469	(8 000)	(9 146)	257 323	257 323	-	100.0%	240 509	240 509
Transfers and subsidies	131	-	222	353	353	-	100.0%	331	331
Payments for capital assets	-	-	71	71	71	-	100.0%	102	102
<b>2.5 TRAINING OF STAFF: INSPECTION AND ENFORCEMENT SERVICES</b>									
Current payments	3 166	-	1 331	4 497	4 497	-	100.0%	2 797	2 797
<b>Total</b>	<b>389 290</b>	<b>(10 000)</b>	<b>(3 541)</b>	<b>375 749</b>	<b>375 749</b>	<b>-</b>	<b>100.0%</b>	<b>329 373</b>	<b>329 373</b>

Programme 2 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	308 418	(10 000)	(22 446)	275 972	275 972	-	100.0%	248 785	248 785
Goods and services	80 673	-	18 432	99 105	99 105	-	100.0%	79 803	79 803
<b>Transfers and subsidies</b>									
Provinces and municipalities	-	-	1	1	1	-	-	-	-
Households	199	-	383	582	582	-	100.0%	429	429
<b>Payments for capital assets</b>									
Machinery and equipment	-	-	89	89	89	-	100.0%	356	356
<b>Total</b>	<b>389 290</b>	<b>(10 000)</b>	<b>(3 541)</b>	<b>375 749</b>	<b>375 749</b>	<b>-</b>	<b>100.0%</b>	<b>329 373</b>	<b>329 373</b>



Detail per sub-programme	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>3.1 MANAGEMENT AND SUPPORT SERVICES: PUBLIC EMPLOYMENT</b>									
Current payments	24 786	–	(5 752)	19 034	19 034	–	100.0%	19 094	19 094
Transfers and subsidies	–	–	–	–	–	–	–	12	12
Payments for capital assets	250	–	1 718	1 968	1 967	1	99.9%	153	114
<b>3.2 EMPLOYER SERVICES</b>									
Current payments	141 487	–	1 875	143 362	143 362	–	100.0%	128 609	128 609
Transfers and subsidies	31	–	257	288	288	–	100.0%	32	31
Payments for capital assets	–	–	23	23	23	–	100.0%	1 459	48
<b>3.3 REGISTRATION AND PLACEMENT SERVICES: PUBLIC EMPLOYMENT</b>									
Current payments	26 208	–	(2 735)	23 473	23 473	–	100.0%	22 892	22 892
Transfers and subsidies	–	–	35	35	35	–	100.0%	35	35
Payments for capital assets	–	–	14	14	15	(1)	107.1%	2 058	–
<b>3.4 DESIGNATED GROUPS SPECIAL SERVICES</b>									
Transfers and subsidies	722	–	–	722	198	524	27.4%	681	482
<b>3.5 SHELTERED EMPLOYMENT FACTORIES AND SUBSIDIES TO DESIGNATED WORKSHOPS</b>									
Current payments	2 293	–	2 641	4 934	4 934	–	100.0%	2 608	2 608
Transfers and subsidies	57 473	10 000	–	67 473	67 473	–	100.0%	74 335	74 335
<b>3.6 PRODUCTIVITY SOUTH AFRICA</b>									
Transfers and subsidies	34 059	–	–	34 059	34 059	–	100.0%	31 155	31 155
<b>3.7 UNEMPLOYMENT INSURANCE FUND</b>									
Transfers and subsidies	1	–	–	1	–	1	–	1	–
<b>3.8 COMPENSATION FUND</b>									
Transfers and subsidies	36 105	–	–	36 105	36 105	–	100.0%	8 949	8 908
<b>3.9 TRAINING OF STAFF: PUBLIC EMPLOYMENT SERVICES</b>									
Current payments	1 394	–	(166)	1 228	1 228	–	100.0%	935	935
<b>Total</b>	<b>324 809</b>	<b>10 000</b>	<b>(2 090)</b>	<b>332 719</b>	<b>332 194</b>	<b>525</b>	<b>99.8%</b>	<b>293 008</b>	<b>289 258</b>

Programme 3 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	154 397	–	117	154 514	154 514	–	100.0%	138 703	138 703
Goods and services	41 771	–	(4 254)	37 517	37 517	–	100.0%	35 436	35 435
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	70 165	–	–	70 165	70 164	1	100.0%	40 105	40 063
Non-profit institutions	58 195	10 000	–	68 195	67 671	524	99.2%	75 015	74 817
Households	31	–	292	323	323	–	100.0%	79	78
<b>Payments for capital assets</b>									
Buildings and other fixed structures	–	–	14	14	15	(1)	107.1%	–	–
Machinery and equipment	250	–	1 741	1 991	1 990	1	99.9%	3 670	162
<b>Total</b>	<b>324 809</b>	<b>10 000</b>	<b>(2 090)</b>	<b>332 719</b>	<b>332 194</b>	<b>525</b>	<b>99.8%</b>	<b>293 008</b>	<b>289 258</b>

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Detail per sub-programme	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 MANAGEMENT AND SUPPORT SERVICES: LP and LMP</b>									
Current payments	10 271	–	(733)	9 538	9 538	–	100.0%	8 430	8 430
Payments for capital assets	22	–	1	23	23	–	100.0%	37	37
<b>4.2 STRENGTHEN CIVIL SOCIETY</b>									
Transfers and subsidies	15 063	–	–	15 063	15 063	–	100.0%	14 379	14 379
<b>4.3 COLLECTIVE BARGAINING</b>									
Current payments	10 951	–	(729)	10 222	10 215	7	99.9%	9 746	9 746
Transfers and subsidies	1	–	–	1	1	–	100.0%	–	–
Payments for capital assets	100	–	(11)	89	–	89	–	–	–
<b>4.4 EMPLOYMENT EQUITY AND STANDARDS</b>									
Current payments	24 138	–	(50)	24 088	20 747	3 341	86.1%	16 148	16 148
Payments for capital assets	–	–	10	10	10	–	100.0%	14	14
<b>4.5 COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION</b>									
Transfers and subsidies	448 104	–	–	448 104	448 104	–	100.0%	402 017	402 017
<b>4.6 RESEARCH, POLICY AND PLANNING</b>									
Current payments	15 134	(2 900)	(169)	12 065	10 598	1 467	87.8%	15 285	12 345
Payments for capital assets	50	–	–	50	–	50	–	–	–
<b>4.7 LABOUR MARKET INFORMATION AND STATISTICS</b>									
Current payments	31 005	(950)	(880)	29 175	29 166	9	100.0%	26 391	26 391
Transfers and subsidies	128	–	5	133	133	–	100.0%	–	–
Payments for capital assets	10	–	–	10	8	2	80.0%	13	12
<b>4.8 INTERNATIONAL LABOUR MATTERS</b>									
Current payments	14 947	(245)	(405)	14 297	12 646	1 651	88.5%	8 635	8 635
Transfers and subsidies	10 211	4 095	14	14 320	14 225	95	99.3%	10 883	10 703
Payments for capital assets	175	–	–	175	–	175	–	–	–
<b>4.9 NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL</b>									
Current payments	604	–	–	604	517	87	85.6%	474	474
Transfers and subsidies	23 915	–	–	23 915	23 915	–	100.0%	15 868	15 868
<b>Total</b>	<b>604 829</b>	<b>–</b>	<b>(2 947)</b>	<b>601 882</b>	<b>594 909</b>	<b>6 973</b>	<b>98.8%</b>	<b>528 320</b>	<b>525 199</b>

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Programme 4 per economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	64 378	(1 195)	(2 292)	60 891	60 282	609	99.0%	54 577	54 577
Goods and services	42 672	(2 900)	(674)	39 098	33 145	5 953	84.8%	30 532	27 591
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	472 019	-	-	472 019	472 019	-	100.0%	417 885	417 885
Foreign governments and international organisations	10 211	4 095	-	14 306	14 211	95	99.3%	10 883	10 703
Non-profit institutions	15 063	-	-	15 063	15 063	-	100.0%	14 379	14 379
Households	129	-	19	148	148	-	100.0%	-	-
<b>Payments for capital assets</b>									
Machinery and equipment	357	-	-	357	41	316	11.5%	64	64
<b>Total</b>	<b>604 829</b>	<b>-</b>	<b>(2 947)</b>	<b>601 882</b>	<b>594 909</b>	<b>6 973</b>	<b>98.8%</b>	<b>528 320</b>	<b>525 199</b>

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**1. Detail of transfers and subsidies as per Appropriation Act (after Virement):**

Detail of these transactions can be viewed in the Note on Transfers and Subsidies, Disclosure Notes and Annexure 1 (A-E) to the Annual Financial Statements.

**2. Detail of specifically and exclusively Appropriated amounts Voted (after Virement):**

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

**3. Detail on Payments for Financial Assets**

Detail of these transactions per programme can be viewed in the Note on payments for financial assets to the Annual Financial Statements.

**4. Explanations of material variances from amounts Voted (after Virement):**

Programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
<b>Administration</b>				
Current Payments	589 977	589 977	–	0.00%
Transfers and Subsidies	770	770	–	0.00%
Payments for Capital Assets	115 613	112 850	2 763	2.39%
Payments for Financial Assets	673	673	–	0.00%
The under spending on Payments for Capital Assets is mainly attributable to less than anticipated orders being processed for the procurement of new office furniture and equipment.				
<b>Inspection and Enforcement Services</b>				
Current Payments	375 077	375 077	–	0.00%
Transfers and Subsidies	583	583	–	0.00%
Payments for Capital Assets	89	89	–	0.00%
<b>Public Employment Services</b>				
Current Payments	192 031	192 031	–	0.00%
Transfers and Subsidies	138 683	138 158	525	0.38%
Payments for Capital Assets	2 005	2 005	–	0.00%
The under spending on transfers and subsidies is attributable to less than anticipated claims submitted by the National Council for the transfer of wage subsidies.				
<b>Labour Policy and Industrial Relations</b>				
Current Payments	99 989	93 427	6 562	6.56%
Transfers and Subsidies	501 536	501 441	95	0.02%
Payments for Capital Assets	357	41	316	88.52%
The under spending on current payments attributable to certain services such as SAPS VIP Police, NIA and Emergency Medical Services during the 12 <sup>th</sup> ILO African Regional Meeting, however when stakeholders submitted their claims in terms of services rendered the final amounts were much lower than what was initially projected.				

## 4.2 Variances per Economic Classification

Economic Classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
<b>Current payments:</b>				
Compensation of employees	758 492	757 883	609	0.08%
Goods and services	498 552	492 599	5 953	1.19%
Interest and rent on land	30	30	–	0.00%
<b>Transfers and subsidies:</b>				
Provinces and municipalities	51	51	–	0.00%
Departmental agencies and accounts	542 184	542 183	1	0.00%
Foreign governments and international organisations	14 306	14 211	95	0.66%
Non-profit institutions	83 258	82 734	524	0.63%
Households	1 773	1 773	–	0.00%
<b>Payments for capital assets:</b>				
Buildings and other fixed structures	4 571	4 572	(1)	(0.02%)
Machinery and equipment	113 493	110 413	3 080	2.71%
<b>Payments for financial assets:</b>	673	673	–	0.00%
The major under-spending is on payment for capital assets and is attributable vacancies.				

PERFORMANCE	Note	2011/12 R'000	2010/11 R'000
<b>REVENUE</b>			
Annual appropriation	1	2 017 383	1 835 823
Departmental revenue	2	7 637	9 036
<b>TOTAL REVENUE</b>		<b>2 025 020</b>	<b>1 844 859</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	3	757 883	681 530
Goods and services	4	492 599	503 439
Interest and rent on land	5	30	71
<b>Total current expenditure</b>		<b>1 250 512</b>	<b>1 185 040</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	7	640 952	561 038
<b>Total transfers and subsidies</b>		<b>640 952</b>	<b>561 038</b>
<b>Expenditure for capital assets</b>			
Tangible capital assets	8	114 985	80 203
Software and other intangible assets	8	-	10
<b>Total expenditure for capital assets</b>		<b>114 985</b>	<b>80 213</b>
<b>Payments for financial assets</b>	6	<b>673</b>	<b>19</b>
<b>TOTAL EXPENDITURE</b>		<b>2 007 122</b>	<b>1 826 310</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>17 898</b>	<b>18 549</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted funds		10 261	9 513
Departmental revenue and NRF Receipts	13	7 637	9 036
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>17 898</b>	<b>18 549</b>

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POSITION	Note	2011/12 R'000	2010/11 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>223 593</b>	71 169
Cash and cash equivalents	9	502	496
Prepayments and advances	10	5 371	11 518
Receivables	11	217 720	59 155
<b>TOTAL ASSETS</b>		<b>223 593</b>	71 169
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>204 507</b>	53 590
Voted funds to be surrendered to the Revenue Fund	12	10 261	9 513
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	13	(368)	355
Bank overdraft	14	193 871	40 505
Payables	15	743	3 217
<b>TOTAL LIABILITIES</b>		<b>204 507</b>	53 590
<b>NET ASSETS</b>		<b>19 086</b>	17 579
<b>Represented by:</b>			
Recoverable revenue		19 086	17 579
<b>TOTAL</b>		<b>19 086</b>	17 579

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NET ASSETS	Note	2011/12 R'000	2010/11 R'000
<b>Recoverable revenue</b>			
Opening balance		17 579	12 826
Transfers:		1 507	4 753
Debts recovered (included in departmental receipts)		(1 792)	(2 016)
Debts raised		3 299	6 769
<b>TOTAL</b>		<b>19 086</b>	<b>17 579</b>

CASH FLOW	Note	2011/12 R'000	2010/11 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>2 025 020</b>	1 844 859
Annual appropriated funds received	1.1	2 017 383	1 835 823
Departmental revenue received	2	7 637	9 036
Net (increase)/decrease in working capital		(154 892)	(25 333)
Surrendered to Revenue Fund		(17 873)	(36 514)
Current payments		(1 250 512)	(1 185 040)
Payments for financial assets		(673)	(19)
Transfers and subsidies paid		(640 952)	(561 038)
<b>Net cash flow available from operating activities</b>	16	<b>(39 882)</b>	36 915
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets		(114 985)	(80 213)
<b>Net cash flows from investing activities</b>		<b>(114 985)</b>	(80 213)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets	8	1 507	4 753
<b>Net cash flows from financing activities</b>		<b>1 507</b>	4 753
Net increase/(decrease) in cash and cash equivalents		(153 360)	(38 545)
Cash and cash equivalents at beginning of period		(40 009)	(1 464)
<b>Cash and cash equivalents at end of period</b>	17	<b>(193 369)</b>	(40 009)

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The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

## 1. Presentation of the Financial Statements

### 1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

### 1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the Department.

### 1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

### 1.4 Comparative figures

Prior period comparative information has been presented in the current year's Financial Statements. Where necessary figures included in the prior period Financial Statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's Financial Statements.

### 1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

## 2. Revenue

### 2.1 Appropriated Funds

Appropriated Funds comprises of departmental allocations as well as direct charges against Revenue Fund (i.e. Statutory Appropriation).

Appropriated Funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the Adjustments Budget process are recognised in the financial records on the date the adjustments become effective.

Unexpended Appropriated Funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the Statement of Financial Position.

Any amount due from the National Revenue Fund at the end of the financial year is recognised as a receivable in the Statement of Financial Position.

### 2.2 Departmental Revenue

All Departmental Revenue is recognised in the Statement of Financial Performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund at the end of the financial year is recognised as a payable in the Statement of Financial Position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the Disclosure Notes to the Annual Financial Statements.

### 2.3 Direct Exchequer receipts

All direct exchequer receipts are recognised in the Statement of Financial Performance when the cash is received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Funds at the end of the financial year is recognised as a payable in the Statement of Financial Position.

### 2.4 Direct Exchequer payments

All direct exchequer payments are recognised in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

### 2.5 Aid assistance

Aid assistance is recognised as revenue when received.

All in-kind aid assistance is disclosed at fair value on the date of receipt in the Annexures to the Annual Financial Statements.

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the Statement of Financial Performance when final authorisation for payments is effected on the system (by no later than 31 March of each year).

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the Statement of Financial Position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the Statement of Financial Position.

All CARA funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the Statement of Financial Performance when final authorisation for payments effected on the system (by no later than 31 March of each year).

Inappropriately expensed amounts using CARA funds are recognised as payables in the Statement of Financial Position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the Revenue Fund.

## 3. Expenditure

### 3.1 Compensation of employees

#### 3.1.1 Salaries and wages

Salaries and wages are expensed in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the Disclosure Notes to the Financial Statements at its face value and are not recognised in the Statement of Financial Performance or Position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These payments form part of expenditure for capital assets in the Statement of Financial Performance.

### 3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the Financial Statements of the Department. Any potential liabilities are disclosed in the Financial Statements of the National Revenue Fund and not in the Financial Statements of the employer department.

Employer contributions made by the Department for certain of its ex-employees (such as medical benefits) are classified as Transfers to Households in the Statement of Financial Performance.

## 3.2 Goods and services

Payments made during the year for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as goods and services and not as rent on land.

## 3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

## 3.4 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the Disclosure Notes to the Financial Statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

## 3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

## 3.6 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the Statement of Financial Position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

Unauthorised expenditure approved with funding is derecognised from the Statement of Financial Position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the Statement of Financial Performance

on the date of approval.

### 3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

### 3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

## 4. Assets

### 4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost.

Bank overdrafts are shown separately on the face of the Statement of Financial Position.

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

### 4.2 Other financial assets

Other financial assets are carried in the Statement of Financial Position at cost.

### 4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the Statement of Financial Position at cost.

### 4.4 Receivables

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the Disclosure Notes.

### 4.5 Investments

Capitalised investments are shown at cost in the Statement of Financial Position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the Disclosure Notes.

### 4.6 Loans

Loans are recognised in the Statement of Financial Position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the Statement of Financial Position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the Disclosure Notes.

#### 4.7 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

#### 4.8 Capital assets

##### 4.8.1 Movable assets

###### Initial recognition

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

All assets acquired prior to 1 April 2002 are included in the register R1.

###### Subsequent recognition

Subsequent expenditure of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital assets” and is capitalised in the asset register of the Department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

##### 4.8.2 Immovable assets

###### Initial recognition

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

###### Subsequent recognition

Work-in-progress of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital assets”. On completion, the total cost of the project is included in the asset register of the Department that is accountable for the asset.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

##### 4.8.3 Intangible assets

###### Initial recognition

An intangible asset is recorded in the asset register on receipt of the item at cost. Cost of an intangible asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the intangible asset is stated at fair value. Where fair value cannot be determined, the intangible asset is included in the asset register at R1.

All intangible assets acquired prior to 1 April 2002 can be included in the asset register at R1.\*

###### Subsequent expenditure

Subsequent expenditure of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital asset” and is capitalised in the asset register of the Department.

Maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

## 5. Liabilities

### 5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the Statement of Financial Position.

### 5.2 Contingent liabilities

Contingent liabilities are included in the Disclosure Notes to the Financial Statements when it is possible that economic benefits will flow from the Department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

### 5.3 Contingent assets

Contingent assets are included in the Disclosure Notes to the Financial Statements when it is probable that an inflow of economic benefits will flow to the entity.

### 5.4 Commitments

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the Disclosure Notes.

### 5.5 Accruals

Accruals are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the Disclosure Notes.

### 5.6 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the Disclosure Notes to the Financial Statements. These amounts are not recognised in the Statement of Financial Performance or the Statement of Financial Position.

### 5.7 Lease commitments

#### Finance lease

Finance leases are not recognised as assets and liabilities in the Statement of Financial Position. Finance lease payments are recognised as an expense in the Statement of Financial Performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the Disclosure Notes to the Financial Statements.

#### Operating lease

Operating lease payments are recognised as an expense in the Statement of Financial Performance. The operating lease commitments are disclosed in the Disclosure Notes to the Financial Statement.

### 5.8 Impairment

The Department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

### 5.9 Provisions

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.



## 6. Receivables for Departmental Revenue

Receivables for departmental revenue are disclosed in the Disclosure Notes to the Annual Financial Statements.

## 7. Net Assets

### 7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the Statement of Financial Position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlying asset is disposed and the related funds are received.

### 7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the Statement of Financial Performance when written-off.

## 8. Related party transactions

Specific information with regards to related party transactions is included in the Disclosure Notes.

## 9. Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the Disclosure Notes.

## 10. Public private partnerships

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the Disclosure Notes.

## 1. Annual Appropriation

### 1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for the Department (Voted funds):

Programmes	2011/12			2010/11
	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation received
	R'000	R'000	R'000	R'000
Administration	707 033	698 455	8 578	656 320
Inspection and Enforcement Services	375 749	389 290	(13 541)	366 642
Public Employment Services	332 719	324 809	7 910	277 902
Labour Policy and Industrial Relations	601 882	604 829	(2 947)	534 959
<b>Total</b>	<b>2 017 383</b>	<b>2 017 383</b>	<b>-</b>	<b>1 835 823</b>

## 2. Departmental revenue

Tax revenue	Note	2011/12	2010/11
		R'000	R'000
*Sales of goods and services other than capital assets	2.1	2 584	2 551
Fines, penalties and forfeits	2.2	993	601
Interest, dividends and rent on land	2.3	1 065	549
Transactions in financial assets and liabilities	2.4	2 995	5 335
<b>Departmental revenue collected</b>		<b>7 637</b>	<b>9 036</b>

\* An amount of R 787 165.11 has been collected for Trade Test Fees and Rental of Dwellings on behalf of INDLELA according to the Service Level Agreement with DHET regarding the transfer of functions between the Departments.

### 2.1 Sales of goods and services other than capital assets

	Note	2011/12	2010/11
		R'000	R'000
Sales of goods and services produced by the department	2	2 577	2 539
Sales by market establishment		171	215
Administrative fees		1 002	1 046
Other sales		1 404	1 278
Sales of scrap, waste and other used current goods		7	12
<b>Total</b>		<b>2 584</b>	<b>2 551</b>

### 2.2 Fines, penalties and forfeits

	Note	2011/12	2010/11
		R'000	R'000
Fines	2	993	601
<b>Total</b>		<b>993</b>	<b>601</b>

**2.3 Interest, dividends and rent on land**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
	2	<b>R'000</b>	<b>R'000</b>
Interest		1 065	549
<b>Total</b>		<b>1 065</b>	<b>549</b>

**2.4 Transactions in financial assets and liabilities**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
	2	<b>R'000</b>	<b>R'000</b>
Receivables		1 033	1 625
Stale cheques written back		15	6
Other Receipts including Recoverable Revenue		1 947	3 704
<b>Total</b>		<b>2 995</b>	<b>5 335</b>

**3. Compensation of employees****3.1 Salaries and Wages**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Basic salary		538 487	482 822
Performance award		9 672	9 013
Service Based		1 165	1 118
Compensative/circumstantial		4 885	6 653
Other non-pensionable allowances		88 058	78 622
<b>Total</b>		<b>642 267</b>	<b>578 228</b>

**3.2 Social contributions**

<b>Employer contributions</b>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Pension		69 278	62 665
Medical		46 168	40 471
Bargaining council		170	166
<b>Total</b>		<b>115 616</b>	<b>103 302</b>
<b>Total compensation of employees</b>		<b>757 883</b>	<b>681 530</b>
Average number of employees		<b>3 170</b>	<b>3 130</b>

#### 4. Goods and services

	Note	2011/12	2010/11
		R'000	R'000
Administrative fees		5 647	2 197
Advertising		21 863	10 901
Assets less than R5,000	4.1	3 880	4 482
Bursaries (employees)		2 463	3 193
Catering		5 276	3 089
Communication		43 237	47 127
Computer services	4.2	42 096	34 975
Consultants, contractors and agency/outsourced services	4.3	21 668	20 519
Entertainment		306	270
Audit cost – external	4.4	14 014	19 048
Fleet services		1 016	87
Inventory	4.5	19 677	25 131
Operating leases		115 147	143 530
Property payments	4.6	44 155	65 251
Rental and hiring		278	–
Transport provided as part of the departmental activities		24	–
Travel and subsistence	4.7	126 978	106 164
Venues and facilities		10 376	5 613
Training and staff development		7 607	6 507
Other operating expenditure	4.8	6 891	5 355
<b>Total</b>		<b>492 599</b>	<b>503 439</b>

##### 4.1 Assets less than R5, 000

	Note	2011/12	2010/11
	4	R'000	R'000
<b>Tangible assets</b>		<b>3 865</b>	<b>4 482</b>
Machinery and equipment		3 865	4 482
<b>Intangible assets</b>		<b>15</b>	<b>–</b>
<b>Total</b>		<b>3 880</b>	<b>4 482</b>

##### 4.2 Computer services

	Note	2011/12	2010/11
	4	R'000	R'000
SITA computer services		26 372	28 972
External computer service providers		15 724	6 003
<b>Total</b>		<b>42 096</b>	<b>34 975</b>

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**4.3 Consultants, contractors and agency/outsourced services**

	Note	2011/12	2010/11
	4	R'000	R'000
Business and advisory services		12 311	11 534
Legal costs		2 619	3 488
Contractors		3 501	1 960
Agency and support/outsourced services		3 237	3 537
<b>Total</b>		<b>21 668</b>	<b>20 519</b>

**4.4 Audit cost – External**

	Note	2011/12	2010/11
	4	R'000	R'000
Regularity audits		14 014	19 048
<b>Total</b>		<b>14 014</b>	<b>19 048</b>

**4.5 Inventory**

	Note	2011/12	2010/11
	4	R'000	R'000
Learning and teaching support material		60	66
Fuel, oil and gas		–	517
Other consumable materials		4 429	3 523
Materials and supplies		409	516
Stationery and printing		14 757	20 499
<b>Medical supplies</b>		<b>22</b>	<b>10</b>
<b>Total</b>		<b>19 677</b>	<b>25 131</b>

**4.6 Property payments**

	Note	2011/12	2010/11
	4	R'000	R'000
Municipal services		15 403	28 892
Property management fees		767	1 443
Property maintenance and repairs		5 729	12 582
Other		22 256	22 334
<b>Total</b>		<b>44 155</b>	<b>65 251</b>

**4.7 Travel and subsistence**

	Note	2011/12	2010/11
	4	R'000	R'000
Local		118 102	99 679
Foreign		8 876	6 485
<b>Total</b>		<b>126 978</b>	<b>106 164</b>

**4.8 Other operating expenditure**

	Note	2011/12	2010/11
		R'000	R'000
	4		
Professional bodies, membership and subscription fees		91	21
Resettlement costs		1 886	2 474
Other		4 914	2 860
<b>Total</b>		<b>6 891</b>	<b>5 355</b>

**5. Interest and rent on land**

	Note	2011/12	2010/11
		R'000	R'000
Interest paid		30	71
<b>Total</b>		<b>30</b>	<b>71</b>

**6. Payments for financial assets**

	Note	2011/12	2010/11
		R'000	R'000
Other material losses written off	6.1	-	19
Debts written off	6.2	673	-
<b>Total</b>		<b>673</b>	<b>19</b>

**6.1 Other material losses written off**

Nature of losses	Note	2011/12	2010/11
		R'000	R'000
Irrecoverable expenditure	6	-	2
Salary overpayment		-	17
<b>Total</b>		<b>-</b>	<b>19</b>

**6.2 Debts written off**

Other debts written off	Note	2011/12	2010/11
		R'000	R'000
Staff Debts	6	661	-
Other		12	-
<b>Total debt written off</b>		<b>673</b>	<b>-</b>

**7. Transfers and subsidies**

	Note	2011/12	2010/11
		R'000	R'000
Provinces and municipalities	Annex 1A	51	54
Departmental agencies and accounts	Annex 1B	542 183	457 948
Foreign governments and international organisations	Annex 1C	14 211	10 703
Non-profit institutions	Annex 1D	82 734	89 196
Households	Annex 1E	1 773	3 137
<b>Total</b>		<b>640 952</b>	<b>561 038</b>

**8. Expenditure for capital assets**

	Note	2011/12	2010/11
		R'000	R'000
<b>Tangible assets</b>		<b>114 985</b>	<b>80 203</b>
Buildings and other fixed structures	32	4 572	3 117
Machinery and equipment	30	110 413	77 086
<b>Software and other intangible assets</b>		<b>-</b>	<b>10</b>
Computer software	31	-	10
<b>Total</b>		<b>114 985</b>	<b>80 213</b>

**8.1 Analysis of funds utilised to acquire capital assets – 2011/12**

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	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
<b>Tangible assets</b>	114 985	-	114 985
Buildings and other fixed structures	4 572	-	4 572
Machinery and equipment	110 413	-	110 413
<b>Software and other intangible assets</b>	-	-	-
Computer software	-	-	-
<b>Total</b>	<b>114 985</b>	<b>-</b>	<b>114 985</b>

**8.2 Analysis of funds utilised to acquire capital assets – 2010/11**

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
<b>Tangible assets</b>	80 203	-	80 203
Buildings and other fixed structures	3 117	-	3 117
Machinery and equipment	77 086	-	77 086
<b>Software and other intangible assets</b>	10	-	10
Computer software	10	-	10
<b>Total</b>	<b>80 213</b>	<b>-</b>	<b>80 213</b>

**9. Cash and cash equivalents**

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Cash on hand		502	496
<b>Total</b>		<b>502</b>	<b>496</b>

**10. Prepayments and advances**

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Travel and subsistence		83	68
Prepayments		5 288	10 895
Advances paid to other entities		-	555
<b>Total</b>		<b>5 371</b>	<b>11 518</b>

**11. Receivables**

	<i>Note</i>	2011/12			Total	2010/11 Total
		Less than one year	One to three years	Older than three years		
		R'000	R'000	R'000		
Claims recoverable	11.1 <i>Annex 3</i>	185 564	4 070	89	189 723	22 511
Recoverable expenditure	11.2	612	851	79	1 542	11 152
Staff debt	11.3	1 298	3 559	21 597	26 454	25 492
Other debtors	11.4	1	-	-	1	-
<b>Total</b>		<b>187 475</b>	<b>8 480</b>	<b>21 765</b>	<b>217 720</b>	<b>59 155</b>

**11.1 Claims recoverable**

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
National departments	11	14 747	1 287
Provincial departments		319	244
Public entities		174 657	20 980
<b>Total</b>		<b>189 723</b>	<b>22 511</b>

**11.2 Recoverable expenditure (disallowance accounts)**

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Disallowance Miscellaneous	11	929	840
Deduction Disallowance Account		-	8
Disallowance Account		559	2
Clearing Accounts		54	137
Transport Payment Suspense		-	10 165
<b>Total</b>		<b>1 542</b>	<b>11 152</b>



**11.3 Staff debt**

	Note	2011/12	2010/11
	11	R'000	R'000
Staff Debtors		-	25 492
Subsidised Transport		8 502	-
Travel and Subsistence		6 726	-
Bursary		224	-
Salary Overpayment (In-Service)		3 786	-
Salary Overpayment (Out-Service)		835	-
State Guarantee		5 488	-
Other		893	-
<b>Total</b>		<b>26 454</b>	<b>25 492</b>

**11.4 Other debtors**

	Note	2011/12	2010/11
	11	R'000	R'000
Clearing Account		1	-
<b>Total</b>		<b>1</b>	<b>-</b>

**12. Voted funds to be surrendered to the Revenue Fund**

	Note	2011/12	2010/11
		R'000	R'000
<b>Opening balance</b>		<b>9 513</b>	<b>26 826</b>
Transfer from statement of financial performance		10 261	9 513
Paid during the year		(9 513)	(26 826)
<b>Closing balance</b>		<b>10 261</b>	<b>9 513</b>

**13. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund**

	Note	2011/12	2010/11
		R'000	R'000
<b>Opening balance</b>		<b>355</b>	<b>1 007</b>
Transfer from Statement of Financial Performance		7 637	9 036
Paid during the year		(8 360)	(9 688)
<b>Closing balance</b>		<b>(368)</b>	<b>355</b>

\*Overpayment due to amount paid in respect of Labour Union Fees deposit to the Revenue Fund and subsequently paid to the CCMA.

**14. Bank Overdraft**

	Note	2011/12	2010/11
		R'000	R'000
Consolidated Paymaster General Account		193 871	40 505
<b>Total</b>		<b>193 871</b>	<b>40 505</b>

\*The PMG account is in overdraft due the expenditure (mainly Compensation of Employess) incurred on behalf of the Unemployment Insurance Fund and the Compensation Fund. (Refer to Annexure 3: Claims Recoverable) An amount of R137 261 959.63 was received in the Department's FNB account from the Compensation Fund on 30 March 2012, however, this amount did not interface into the PMG account and therefore will be disclosed as such in the 2012/13 Financial year. An amount of R33 710 850.55 was claimed from the Funds, this amount will be paid in the 2012/13 Financial year.

**15. Payables – current**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Clearing accounts	15.1	484	628
Other payables	15.2	259	2 589
<b>Total</b>		<b>743</b>	<b>3 217</b>

**15.1 Clearing accounts**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Salary control accounts	15	484	628
<b>Total</b>		<b>484</b>	<b>628</b>

**15.2 Other payables**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Recoverable Expenditure	15	25	3
Arrear Wages		234	57
Other (Claims Related)		–	2 529
<b>Total</b>		<b>259</b>	<b>2 589</b>

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**16. Net cash flow available from operating activities**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Net surplus/(deficit) as per Statement of Financial Performance		17 898	18 549
Add back non cash/cash movements not deemed operating activities		(57 780)	18 366
(Increase)/decrease in receivables – current		(158 565)	(21 595)
(Increase)/decrease in prepayments and advances		6 147	(6 060)
Increase/(decrease) in payables – current		(2 474)	2 322
Expenditure on capital assets		114 985	80 213
Surrenders to Revenue Fund		(17 873)	(36 514)
<b>Net cash flow generated by operating activities</b>		<b>(39 882)</b>	<b>36 915</b>

**17. Reconciliation of cash and cash equivalents for cash flow purposes**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Consolidated Paymaster General account		(193 871)	(40 505)
Cash on hand		502	496
<b>Total</b>		<b>(193 369)</b>	<b>(40 009)</b>

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

## 18. Contingent liabilities and contingent assets

### 18.1 Contingent liabilities

Liable to	Nature	Note	2011/12	2010/11
			R'000	R'000
Housing loan guarantees	Employees	Annex 2A	9 589	11 341
Claims against the department		Annex 2B	2 840	4 374
Other departments (interdepartmental unconfirmed balances)		Annex 4	2 646	46 571
<b>Total</b>			<b>15 075</b>	<b>62 286</b>

## 19. Commitments

	Note	2011/12	2010/11
		R'000	R'000
<b>Current expenditure</b>		<b>67 449</b>	<b>45 320</b>
Approved and contracted		67 018	45 320
Approved but not yet contracted		431	–
<b>Capital expenditure</b>		<b>8 902</b>	<b>–</b>
Approved and contracted		6 105	–
Approved but not yet contracted		2 797	–
<b>Total Commitments</b>		<b>76 351</b>	<b>45 320</b>

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## 20. Accruals

Listed by economic classification	30 Days	30+ Days	2011/12	2010/11
	R'000	R'000	R'000	R'000
Goods and services	24 363	6 776	31 139	26 246
Interest and rent on land	2	–	2	–
Capital assets	3 588	853	4 441	93
<b>Total</b>	<b>27 953</b>	<b>7 629</b>	<b>35 582</b>	<b>26 339</b>

Listed by programme level	Note	2011/12	2010/11
		R'000	R'000
Programme 1 - Administration		27 794	16 547
Programme 2 – Inspection and Enforcement Services		5 104	4 493
Programme 3 – Public Employment Services		1 760	4 389
Programme 4 – Labour Policy and Industrial Relations		924	910
<b>Total</b>		<b>35 582</b>	<b>26 339</b>

	Note	2011/12	2010/11
		R'000	R'000
Confirmed balances with other government entities	Annex 4	2 821	–
<b>Total</b>		<b>2 821</b>	<b>–</b>

## 21. Employee benefits

Listed by programme level	Note	2011/12	2010/11
		R'000	R'000
Leave entitlement		24 479	21 854
Service bonus (Thirteenth cheque)		23 828	21 523
Performance awards		1 215	50
Capped leave commitments		35 326	34 579
<b>Total</b>		<b>84 848</b>	<b>78 006</b>

## 22. Lease commitments

### 22.1 Operating leases expenditure

2011/12	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000
Not later than 1 year	84 652	5 296	89 948
Later than 1 year and not later than 5 years	183 612	5 634	189 246
<b>Total lease commitments</b>	<b>268 264</b>	<b>10 930</b>	<b>279 194</b>

2010/11	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000
Later than 1 year and not later than 5 years	–	9 431	9 431
<b>Total lease commitments</b>	<b>–</b>	<b>9 431</b>	<b>9 431</b>

\* R268 264 219,65 was included as additional Lease Commitments to account for commitments relating to leased buildings. (Leases entered into by the Department of Public Works for buildings occupied by the Department).

### 22.2 Finance leases expenditure\*\*

2011/12	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000
Not later than 1 year	–	116	116
Later than 1 year and not later than 5 years	–	282	282
<b>Total lease commitments</b>	<b>–</b>	<b>398</b>	<b>398</b>
LESS: finance costs	–	(33)	(33)
<b>Total present value of lease liabilities</b>	<b>–</b>	<b>365</b>	<b>365</b>

2010/11	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000
Not later than 1 year	–	187	187
Later than 1 year and not later than 5 years	–	625	625
<b>Total lease commitments</b>	<b>–</b>	<b>812</b>	<b>812</b>
LESS: finance costs	–	(71)	(71)
<b>Total present value of lease liabilities</b>	<b>–</b>	<b>741</b>	<b>741</b>

\*\*This note excludes leases relating to the IT-related Public Private Partnership as they are separately disclosed to note no.27.

## 23. Receivables for departmental revenue

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Interest, dividends and rent on land		30	11
Transactions in financial assets and liabilities		368	-
<b>Total</b>		<b>398</b>	<b>11</b>

## 24. Irregular expenditure

### 24.1 Reconciliation of irregular expenditure

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
<b>Opening balance</b>		<b>10 231</b>	<b>3 392</b>
Adjustment to prior year – Irregular expenditure		(5 000)	-
Add: Irregular expenditure – relating to current year		15 688	9 523
Less: Amounts condoned		(796)	(2 684)
<b>Irregular expenditure awaiting condonation</b>		<b>20 123</b>	<b>10 231</b>

<b>Analysis of awaiting condonation per age classification</b>		<i>Note</i>	2011/12	2010/11
			R'000	R'000
Current year			15 542	7 753
Prior years			4 581	2 478
<b>Total</b>			<b>20 123</b>	<b>10 231</b>

### 24.2 Details of irregular expenditure – current year

<b>Incident</b>	<b>Disciplinary steps taken/ criminal proceedings</b>	2011/12
		R'000
Expenditure for Casual Labourers not approved in accordance with Delegations		78
Correct procurement procedures not followed		1 144
Inspectors wrongful remuneration		1 240
Expenditures for Suppliers not according to SCM prescripts		1 620
Accenture to assist the Department with IT related services		11 606
<b>Total</b>		<b>15 688</b>

### 24.3 Details of irregular expenditure condoned

<b>Incident</b>	<b>Condoned by (condoning authority)</b>	2011/12
		R'000
Expenditure for Casual Labourers not approved in accordance with Delegations		259
Correct procurement procedures not followed		537
<b>Total</b>		<b>796</b>

## 25. Related party transactions

Expenditure paid on behalf of the funds and recovered in the financial year.

Related Parties	Nature of relationship	Transaction type	2011/12	2010/11
			R'000	R'000
Compensation Fund	Remuneration of staff and payment for goods and services on behalf of the entity	Compensation of Employees	305 727	271 016
		Goods and Services	122 192	107 909
		Transfers	2 997	866
Unemployment Insurance Fund	Remuneration of staff and payment for goods and services on behalf of the entity	Compensation of Employees	572 255	502 467
		Goods and Services	198 116	160 164
		Transfers	1 348	929
<i>Note</i>			<b>2011/12</b>	<b>2010/11</b>
			<b>R'000</b>	<b>R'000</b>
Year end balances arising from revenue/payments				
Receivables from related parties			170 966	17 849
<b>Total</b>			<b>170 966</b>	<b>17 849</b>

## 26. Key management personnel

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Political office bearers (provide detail below)	No. of Individuals	2011/12	2010/11
		R'000	R'000
Officials:	1	1 902	2 759
Level 15 to 16	8	8 043	7 137
Level 14	20	18 071	16 542
Acting Position	1	1 053	–
Family members of key management personnel		–	249
<b>Total</b>		<b>29 069</b>	<b>26 687</b>

## 27. Public Private Partnership

### A description of the arrangement

The Department of Labour entered into a Public Private Partnership Agreement (“PPP Agreement”) with Siemens Business Services (Proprietary) Limited (“private partner”), on 1 December 2002. The PPP Agreement requires the private partner to provide information technology related infrastructure, services and management support to the Department of Labour, the Unemployment Insurance Fund and the Compensation Fund (“the Funds”) for a period of 10 years.

### Significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows

Significant terms that may affect the amount, timing or certainty of future cash flows are summarised below:

- Fees

The Department of Labour pays a fixed fee (“unitary fee”), which is subject to escalation with CPIX annually on 1 April, of each year.

- Service credits

The Department of Labour is entitled to deduct service credits from the unitary fee if and when the quality of service falls below the agreed service levels.

- Additional services

Provision is made for additional services to be obtained from a table of rates that is adjusted annually by CPIX and benchmarked at 3-yearly intervals. The private partner does not have an exclusive right to provide additional services, but does however, have a “first call” option.

- Variations

The contractual change management procedures make provision for the approval of changes in respect of the PPP Agreement via mutual agreement and payment will either be in the form of an agreed change in the unitary fee or a lump sum payment.

- Scalability

Provision is made for scalability of services within certain boundaries in terms of volume and usage. The unitary fee may be adjusted for the following categories if the actual number of users exceeds the stipulated breakpoints:

- Number of end-user devices.
- Rural and urban spread of end-user devices.
- Number of end-user devices with high license and maintenance cost.

- Excess Profit Regime

Any actual profits achieved by the private partner on the PPP Agreement above a stipulated percentage have to be deposited in the re-investment fund by the private partner.

- Foreign exchange rate mechanism

The PPP Agreement makes provision for sharing the risk of devaluation of the Rand against foreign currency over the PPP Agreement period. The Department of Labour’s risk in the event that the Rand devaluates against foreign currency is capped and managed through a prescribed mechanism which is stipulated in PPP Agreement.

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### The nature and extent of the arrangement

a. Rights to use specified assets

The beneficial use of, control and risks in respect of legacy assets were transferred to the private partner in terms of the PPP Agreement.

Legacy assets means the system of integrated computer hardware, operating systems software, department data, software, computer network and computer peripherals and the like used by the Department of Labour and the Funds prior to the effective date of the PPP Agreement.

b. Obligations to provide or rights to expect provision of services

In terms of the PPP Agreement, the services to be provided by the private partner are divided into three categories:

- Initial Services

Immediately prior to the effective date of the PPP Agreement, the Department of Labour and the Funds provided their own information technology services. The Initial Services are continued by the private partner until such time as they are replaced by other services explained in the following paragraph.

- Improvement Services

The private partner is required to develop a new information technology environment (hardware, network, operating systems, software applications and training) that is appropriate to support the business processes of the Department of Labour and the Funds.

- Operational Services

The private partner is required to operate, maintain, support and refresh the information technology environment of the Department of Labour and the Funds at agreed service levels

c. Obligations to acquire or build items of property, plant and equipment

The private partner has to acquire computer equipment to the extent necessary in order to deliver the improvement services and operational services at the agreed service levels.

d. Obligation to deliver or rights to receive specified assets at the end of the concession period

On early termination of the PPP Agreement the information technology environment shall transfer to the Department of Labour upon payment of the relevant termination compensation to the private partner as set out in the PPP Agreement.

On expiry of the PPP Agreement (01 December 2012) the information technology environment shall transfer to the Department at no cost.

e. Renewal and termination options

The PPP Agreement provides the Department of Labour an option to renew the PPP Agreement for a further period of up to 10 years, provided that such renewal shall be on materially similar terms and conditions. The Department of Labour has to exercise this option in writing by no later than 12 months prior to the expiry date of the PPP Agreement.

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The Department of Labour may at expiry of the PPP Agreement, in its sole discretion, request support services for a twelve month period in order to facilitate transition to any new arrangement. The fee arrangement would be at an Agreed Price in the PPP Agreement..

The PPP Agreement makes provision for the following termination options:

- Department event of default
- Private partner event of default
- Termination on Force Majeure
- Termination on Corrupt Gifts and Fraud.

f. Other rights and obligations (e.g. major overhauls)

None, other than those underlying the improvement services and operational services

g. Changes in the arrangement occurring during the period

None.

h. Reinvestment fund

The reinvestment fund is a separate bank account for purposes of administering and the separate safekeeping of excess profit, foreign exchange rate savings and service credits. The reinvestment fund may be used during the term of the PPP Agreement to fund

- The Department of Labour's obligations in the event that the Rand devaluates outside certain agreed parameters



- Additional services or variations
- A reduction in unitary fee
- Bank charges related to the reinvestment fund

Any residual funds at the end of the PPP Agreement will be distributed to the party entitled to it, which is summarised below:

- Funds accumulated due to foreign exchange savings will be distributed to the Department of Labour
- Funds accumulated due to excess profits will be shared equally between the Department of Labour and the private partner
- Funds accumulated due to service credits will be shared between the Department of Labour and the private partner, depending on how the service credit originated.

As at 31 March 2012, the balance of the reinvestment fund was:

	2011/12	2010/11
Department of Labour	6 916 378	13 300 007
Compensation Fund	8 020 713	13 421 256
Unemployment Insurance Fund	6 926 559	13 332 618
<b>Total</b>	<b>21 863 650</b>	<b>40 053 881</b>

During the 31 March 2012 year end, the following CPIX adjustment to the unitary fee was paid from the reinvestment fund.

	2011/12	2010/11
Department of Labour	(7 189 600)	-
Compensation Fund	(7 189 600)	-
Unemployment Insurance Fund	(7 189 600)	-
<b>Total</b>	<b>(21 568 800)</b>	<b>-</b>

i. Expenditure for the financial year

The expenditure incurred by the Funds since the inception of the PPP Agreement paid to the private partner in terms of the PPP Agreement is as follow:

Year ended	Unitary fee	Additional services	Total
31 March 2003	R40 833 333	Rnil	<b>R40 833 333</b>
31 March 2004	R125 463 046	R36 806 561	<b>R162 269 607</b>
31 March 2005	R136 962 744	R22 646 145	<b>R159 608 889</b>
31 March 2006	R160 210 820	R14 130 604	<b>R174 341 424</b>
31 March 2007	R158 421 099	R21 988 865	<b>R180 409 964</b>
31 March 2008	R194 901 365	R11 386 879	<b>R206 288 244</b>
31 March 2009	R202 499 896	R11 967 310	<b>R214 467 206</b>
31 March 2010	R219 218 864	R12 248 944	<b>R231 467 808</b>
31 March 2011	R230 418 314	R 7 593 339	<b>R238 011 653</b>
31 March 2012 (Note 1)	R229 588 725	R6 447 288	<b>R236 036 013</b>

**Note 1-** As per the PPP agreement the unitary fee for the current year has been increased with an annual CPI adjustment to R 229 588 725. This unitary fee is reflected in the Operating Financial Model ("OFM") (version 21) which is yet to be approved by the Department. As a result the unitary fee payments in the current financial year were made based on the last approved OFM which had a unitary fee of R230 418 314 (per table below). When the later OFM is approved the Department would be liable for the difference in unitary fee between the two OFM's.

The Department of Labour makes all payments to the private partner in respect of the unitary fee element in terms of the PPP Agreement. The unitary fee element of the PPP Agreement is divided equally between the Department of Labour, the Unemployment Insurance Fund and the Compensation Fund, as agreed to in writing between the entities. The Unemployment Insurance Fund and Compensation Fund pay their applicable portion of the unitary fee to the Department of Labour.

The cost of additional services is paid by the entity that requested the additional services. The Unemployment Insurance Fund and Compensation Fund pay their applicable portion of the cost of additional services directly to the private partner.

The table below provides a summary of payments made for the year ended 31 March 2012:

Payment type	Total payments to private partner	Department of Labour portion	Unemployment Insurance Fund portion	Compensation Fund portion
	R'000	R'000	R'000	R'000
Unitary fee (note 1)	229 589	76 529	76 530	76 530
Additional services	6 447	6 276	103	68
<b>Total</b>	<b>236 036</b>	<b>82 805</b>	<b>76 633</b>	<b>76 598</b>

The table below provides a summary of payments made for the year ended 31 March 2011:

Payment type	Total payments to private partner	Department of Labour portion	Unemployment Insurance Fund portion	Compensation Fund portion
	R'000	R'000	R'000	R'000
Unitary fee	219 219	73 073	73 073	73 073
Additional services	7 594	2 983	3 377	1 234
<b>Total</b>	<b>226 813</b>	<b>76 056</b>	<b>76 450</b>	<b>74 307</b>

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The Department of Labour's portion of the payments to the private partner which relate to capital items are disclosed as finance lease payments, as per the guidelines received from the Accounting Standards Board in the Annual Financial Statements of the Department of Labour.

#### Disclosure

	2011/12	2010/11
	R'000	R'000
<b>Contract fee received</b>	<b>(153 060)</b>	<b>(146 146)</b>
Unitary fee portion paid to the Department by the:		
- Unemployment Insurance Fund	(76 530)	(73 073)
- Compensation Fund	(76 530)	(73 073)
<b>Contract fee paid</b>	<b>242 249</b>	<b>231 548</b>
Fixed component (Note 1)	229 589	230 418
Increase/(decrease) in reinvestment fund	6 384	(1 853)
Additional services	6 276	2 983
<b>Total</b>	<b>89 189</b>	<b>85 402</b>

Note 1: The Department pays a fixed fee ("unitary fee"), which is subject to escalation with CPI annually on 1 April.

**Additional disclosure**

The International Financial Reporting Committee (IFRIC) issued IFRIC 12 Service Concession Arrangements (IFRIC 12) in November 2006. IFRIC 12 is effective for periods commencing on or after 1 January 2008. IFRIC 12 provides guidance on the financial reporting implications of a service concession arrangement in the financial statements of the operator (private party). IFRIC 12 does not address the accounting treatment for the grantor (public entity). The Accounting Standards Board (ASB) in South Africa has issued guidance in respect of the grantor's (public entity's) accounting treatment in such arrangements.

Certain aspects and disclosures relating to some forms of service concession arrangements are already addressed by existing standards. The disclosures required in terms of AC 429 (SIC29) Service Concession Arrangements Disclosures have been provided above and the disclosures in terms of GRAP 13 Leases are disclosed below to provide additional disclosure.

The following disclosures, based on the treatment of the PPP as a finance lease, are made that indicate the potential effect on the Annual Financial Statements of the Department of Labour.

**Notes 30 and 31 of the Annual Financial Statements – Tangible and Intangible capital assets**

Notes 30 and 31 of the Annual Financial Statements would require the following additions in respect of the PPP Agreement: PPP IT environment asset movement schedule as at 31 March 2012

	Opening Balance	Current year adjustments to prior year balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
<b>PPP IT environment</b>					
<b>Tangible assets</b>					
- IT hardware (Note 1, 2)	147 873	3 200	10 137	(3 160)	158 050
<b>Intangible assets (Note 3)</b>	305 129	5 387	64 886	-	375 402
<b>Total assets in PPP IT environment</b>	<b>453 002</b>	<b>8 587</b>	<b>75 023</b>	<b>(3 160)</b>	<b>533 452</b>

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PPP IT environment asset movement schedule as at 31 March 2011

	Opening Balance	Current year adjustments to prior year balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
<b>PPP IT environment</b>					
<b>Tangible assets</b>					
- IT hardware (Note 1, 2)	144 629	(6 305)	10 097	(1 601)	146 820
<b>Intangible assets (Note 3)</b>	116 361	20 250	168 518	-	305 129
<b>Total assets in PPP IT environment</b>	<b>260 990</b>	<b>13 945</b>	<b>178 615</b>	<b>(1 601)</b>	<b>451 949</b>

**Note 1:** IT hardware refers to additions of IT components (hardware, network and operating systems) which are required to develop the new information technology environment (hardware, network, operating systems, software applications and training) and which are appropriate to support the business processes of the Department of Labour and the Funds. Legacy assets have been included in the IT hardware.

IT hardware is stated at cost (being the cost price to the private partner, inclusive of VAT) and no depreciation is recognised, although the assets have an estimated useful life of three years. If the annual financial statements were to be prepared on an accrual basis of accounting, the assets would be depreciated over their useful lives. The depreciation charge would be recognised in the statement of financial performance on a straight-line basis over three years. The carrying value of the assets would decrease as the asset is depreciated.

**Note 2:** Intangible assets means Improvement and Operational Services the private partner is required to develop and refresh (software applications and training) that is appropriate to support the business processes of the Department of Labour and the Funds at agreed service levels. This includes the software improvements made by the private partner during the provision of the services, including those improvements in respect of additional services where the actual cost of such improvements are known and the improvements meets the definition of an asset. Intangible assets are stated at cost (being the cost price to the private partner, inclusive of VAT) and no amortisation is included, although the assets have an estimated useful life of three years.

If the annual financial statements were to be prepared on an accrual basis of accounting, the assets would be recognised as the Department's intangible assets and amortised over their useful lives. The amortisation charge would be recognised in the statement of financial performance on a straight-line basis over the remaining period of the PPP agreement.

A breakdown of the categories of IT hardware for the 2011/2012 financial year is as follows:

	Opening Balance	Reclassification to opening balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
Laptops	12 447	(455)	1 162	(575)	12 579
Thin clients (terminals)	9 440	18	3 202	(539)	12 121
Fat clients (PC's)	27 548	(80)	1 334	(928)	27 875
Monitors	8 471	(15)	1 272	(376)	9 352
Printers	8 837	29	716	(510)	9 072
Servers	64 375	(658)	2 328	(232)	65 812
Network equipment	15 702	3 873	123	-	19 698
*Cabinets	1 053	488	-	-	1 541
<b>Total</b>	<b>147 873</b>	<b>3 200</b>	<b>10 137</b>	<b>(3 160)</b>	<b>158 050</b>

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\*Cabinets represent assets which were not classified as PPP IT hardware in the previous periods in the PPP partner's asset register. It is however the view of the Department that these assets are PPP IT hardware and will be recorded as such in the Department's asset register at the end of the contract in November 2012.

## Note 22 of the Annual Financial Statements – Lease Commitments

### 22.1 Finance leases:

Public Private Partnership Agreement in respect of information technology:

For the year ended 31 March 2012

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	93 463	(2 893)	90 569
Between one and five years	-	-	-
More than five years	-	-	-

For the year ended 31 March 2011

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	148 695	(12 934)	135 761
Between one and five years	93 463	(2 893)	90 569
More than five years	-	-	-

The above disclosure is based on the following information and calculations for current and prior year respectively:

Year ends	Months in period	Unitary Fee	Additional Service Fee	Total payment to private partner	Capital expenditure by private partner	“Deemed” lease payments	Interest element of “deemed” lease payment	Computer Services
				R'000	R'000	R'000	R'000	R'000
1 December to 31 March 2003	4	40 833	–	40 833	–	–	–	40 833
1 April 2003 to 31 March 2004	12	125 463	36 807	162 270	34 184	12 871	2 381	149 399
1 April 2004 to 31 March 2005	12	136 963	22 646	159 609	44 976	29 804	4 633	129 805
1 April 2005 to 31 March 2006	12	160 211	14 131	174 342	20 459	37 509	3 948	136 833
1 April 2006 to 31 March 2007	12	158 421	21 989	180 410	15 654	30 532	2 710	149 878
1 April 2007 to 31 March 2008	12	194 901	11 387	206 288	10 578	17 598	1 779	189 968
1 April 2008 to 31 March 2009	12	202 500	11 967	214 467	9 065	13 342	1 418	201 125
1 April 2009 to 31 March 2010	12	219 219	12 249	231 468	73 475	41 500	6 734	189 968
1 April 2010 to 31 March 2011	12	230 418	7 593	238 011	177 015	109 362	16 442	128 649
1 April 2011 to 31 March 2012	12	229 589	6 447	236 036	71 863	148 695	12 934	87 341
1 April 2012 to 31 March 2013	8	153 059	–	153 059	12 562	93 463	2 893	59 596
<b>Total</b>	<b>120</b>	<b>1 851 577</b>	<b>145 216</b>	<b>1 996 793</b>	<b>469 831</b>	<b>534 676</b>	<b>55 876</b>	<b>1 463 395</b>

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The unitary fee for years subsequent to 31 March 2012 has not been adjusted for inflation after 31 March 2012 and has been assumed to be the planned expenditure as reflected in the current financial model. However, the PPP Agreement makes provision for an annual increase in the unitary fee by inflation. The additional service fee for subsequent years has been stated as Rnil, as the value of future commitments regarding additional services will only be known in those future periods.

Capital expenditure includes tangible assets and is based on the actual cost, including VAT, incurred by the private partner up to 31 March 2012 for the PPP IT environment. Capital expenditure also includes the actual cost of intangible assets incurred by the private partner for the year ending 31 March 2012. In prior years the cost of intangible assets was not considered in the lease calculation as the actual costs was not previously available. All subsequent years are based on the planned expenditure by the private partner in respect of tangible and intangible assets.

“Deemed” lease payments have been calculated based on the capital expenditure and unitary fee, the weighted average government borrowing rate (being 8,45%), a lease term of the remaining period of the PPP Agreement, monthly lease payments in arrears and assuming that all capital expenditure in a year is incurred on the first day of the financial year.

The table below provides reconciliation between the Department of Labour's portion in respect of the PPP Agreement and the total payments made to the private partner:

	2011/12	2010/11
	R'000	R'000
Total payments to private partner	236 036	238 011
Allocated to the Department of Labour	82 805	79 789
Allocated to Unemployment Insurance Fund	76 633	80 182
Allocated to Compensation Fund	76 598	78 040
 "Deemed" finance lease payments (additional disclosure in respect of note 22.2)	 (148 695)	 (109 362)
<b>Total computer services in respect of the PPP (additional disclosure in respect of note 6)</b>	<b>87 341</b>	<b>128 649</b>
 Payments allocated to the Department of Labour as per the Statement of Financial Performance		
"Deemed" finance lease payments	36 610	36 454
Computer services	46 196	43 335
<b>Total payments by the Department of Labour (included in note 6)</b>	<b>82 806</b>	<b>79 789</b>

## 28. Impairment

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Debtors		338	1 022
<b>Total</b>		<b>338</b>	<b>1 022</b>

## 29. Provisions

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Private Enterprises		32	41
Staff Debtors		15 154	13 233
Other Debtors		6 411	3 903
<b>Total</b>		<b>21 597</b>	<b>17 177</b>

### 30. Movable Tangible Capital Assets

#### MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>107 816</b>	<b>(187)</b>	<b>37 234</b>	<b>(6 663)</b>	<b>138 200</b>
Transport assets	18 128	-	33 019	-	51 147
Computer equipment	8 410	206	1 666	(1 293)	8 989
Furniture and office equipment	48 581	(408)	2 206	(1 182)	49 197
Other machinery and equipment	32 697	15	343	(4 188)	28 867
<b>TOTAL CAPITAL ASSETS</b>	<b>107 816</b>	<b>(187)</b>	<b>37 234</b>	<b>(6 663)</b>	<b>138 200</b>

#### 30.1 Additions

#### ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>110 413</b>	<b>-</b>	<b>(76 759)</b>	<b>3 580</b>	<b>37 234</b>
Transport assets	29 773	-	(229)	3 475	33 019
Computer equipment	78 196	-	(76 530)	-	1 666
Furniture and office equipment	2 101	-	-	105	2 206
Other machinery and equipment	343	-	-	-	343
<b>TOTAL ADDITIONS</b>	<b>110 413</b>	<b>-</b>	<b>(76 759)</b>	<b>3 580</b>	<b>37 234</b>

#### 30.2 Disposals

#### DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>		<b>(6 663)</b>	<b>(6 663)</b>	<b>-</b>
Transport assets		-	-	-
Computer equipment		(1 293)	(1 293)	-
Furniture and office equipment		(1 182)	(1 182)	-
Other machinery and equipment		(4 188)	(4 188)	-
<b>TOTAL DISPOSALS</b>		<b>(6 663)</b>	<b>(6 663)</b>	<b>-</b>

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### 30.3 Movement for 2010/11

#### MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>125 402</b>	<b>3 935</b>	<b>(21 521)</b>	<b>107 816</b>
Transport assets	19 308	–	(1 180)	18 128
Computer equipment	9 071	50	(711)	8 410
Furniture and office equipment	47 655	3 152	(2 226)	48 581
Other machinery and equipment	49 368	733	(17 404)	32 697
<b>TOTAL MOVEMENT</b>	<b>125 402</b>	<b>3 935</b>	<b>(21 521)</b>	<b>107 816</b>

### 30.4 Minor assets

#### MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2012

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
<b>Opening balance</b>	–	79 816	79 816
Current Year Adjustments to Prior Year balances	–	227	227
Additions	15	4 005	4 020
Disposals	–	(3 295)	(3 295)
<b>TOTAL MINOR ASSETS</b>	<b>15</b>	<b>80 753</b>	<b>80 768</b>
Number of minor assets at cost	4	88 287	88 291
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>4</b>	<b>88 287</b>	<b>88 291</b>

#### MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2011

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
<b>Opening balance</b>	–	84 602	84 602
Current Year Adjustments to Prior Year balances	–	(171)	(171)
Additions	–	4 561	4 561
Disposals	–	(9 176)	(9 176)
<b>TOTAL MINOR ASSETS</b>	<b>–</b>	<b>79 816</b>	<b>79 816</b>
Number of minor assets at cost	–	87 883	87 883
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>–</b>	<b>87 883</b>	<b>87 883</b>



### 31. Intangible Capital Assets

#### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Computer Software	40	-	-	-	40
Services and Operating Rights	23	-	-	-	23
<b>TOTAL CAPITAL ASSETS</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>

#### 31.1 Additions

#### ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Computer Software	-	-	-	-	-
Services and Operating Rights	-	-	-	-	-
<b>TOTAL ADDITIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 31.2 Disposals

#### DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received
	R'000	R'000	R'000	R'000
Computer Software	-	-	-	-
Services and Operating Rights	-	-	-	-
<b>TOTAL DISPOSALS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 31.3 Movement for 2010/11

#### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Computer Software	30	10	-	40
Services and Operating Rights	23	-	-	23
<b>TOTAL MOVEMENT</b>	<b>53</b>	<b>10</b>	<b>-</b>	<b>63</b>

## 32. Immovable Tangible Capital Assets

### MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>Buildings and Other Fixed Structures</b>	83	(854)	5 407	(4 548)	88
Non-residential buildings	83	(854)	5 407	(4 548)	88
<b>TOTAL CAPITAL ASSETS</b>	83	(854)	5 407	(4 548)	88

#### 32.1 Additions

### ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Buildings and Other Fixed Structures</b>	4 572	-	-	835	5 407
Non-residential buildings	4 572	-	-	835	5 407
<b>TOTAL ADDITIONS</b>	4 572	-	-	835	5 407

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#### 32.2 Disposals

### DISPOSALS OF IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
<b>Buildings and Other Fixed Structures</b>	-	(4 548)	(4 548)	-
Non-residential buildings	-	(4 548)	(4 548)	-
<b>TOTAL DISPOSALS</b>	-	(4 548)	(4 548)	-

#### 32.3 Movement for 2010/11

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>Buildings and Other Fixed Structures</b>	935	3 646	(4 498)	83
Non-residential buildings	935	3 646	(4 498)	83
<b>TOTAL MOVEMENT</b>	935	3 646	(4 498)	83

### 32.4 Immovable assets

#### IMMOVABLE ASSETS IN THE ASSET REGISTER AS AT 31 MARCH 2012

	Buildings and other fixed structures	Total
	R'000	R'000
Immovable assets	-	-
<b>TOTAL</b>	-	-

#### IMMOVABLE ASSETS IN THE ASSET REGISTER AS AT 31 MARCH 2011

	Buildings and other fixed structures	Total
	R'000	R'000
Immovable assets	11	11
<b>TOTAL</b>	11	11

## 33. Transfer of functions

### 33.1 Disclosure Notes

	Balance 2010/11 AFS before transfer	Functions transferred to DHET	2010/11 Balance after transfer of functions
Note	2010/11 R'000	2010/11 R'000	2010/11 R'000
Contingent liabilities	62 286	-	62 286
Commitments	45 320	-	45 320
Accruals	26 339	-	26 339
Employee benefits	78 006	-	78 006
Lease commitments – Operating lease	9 431	-	9 431
Lease commitments – Finance lease	741	-	741
Receivables for departmental revenue	11	-	11
Irregular expenditure	10 231	-	10 231
Impairment and other provisions	18 199	-	18 199
Movable tangible capital assets	107 816	(4 073)	103 743
Movable tangible minor assets	84 602	(1 241)	83 361
Immovable tangible capital assets	83	-	83
Intangible capital assets	63	-	63

### ANNEXURE 1A STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

Name of Municipality	Grant allocation				Transfer		Spent			2010/11
	Amount	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
<b>Transfers</b>										
Municipal	12	-	39	51	51	100%	-	-		54
Vehicle Licences										
<b>TOTAL</b>	<b>12</b>	<b>-</b>	<b>39</b>	<b>51</b>	<b>51</b>		<b>-</b>	<b>-</b>		<b>54</b>

### ANNEXURE 1B STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

Department/Agency/Account	Transfer Allocation				Transfer		2010/11
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
Compensation Fund	36 105	-	-	36 105	36 105	100%	8 908
Unemployment Insurance Fund	1	-	-	1	-	-	-
Commission for Conciliation, Mediation and Arbitration	448 104	-	-	448 104	448 104	100%	402 017
Productivity SA	34 059	-	-	34 059	34 059	100%	31 155
National Economic Development and Labour Council (NEDLAC)	23 915	-	-	23 915	23 915	100%	15 868
<b>Total</b>	<b>542 184</b>	<b>-</b>	<b>-</b>	<b>542 184</b>	<b>542 183</b>		<b>457 948</b>

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### ANNEXURE 1C STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

Foreign Government/ International Organisation	Transfer Allocation				Expenditure		2010/11
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
International Labour Organisation	9 577	-	4 095	13 672	13 672	100%	10 246
African Regional Labour Administration Centre	634	-	-	634	539	85%	457
<b>Total</b>	<b>10 211</b>	<b>-</b>	<b>4 095</b>	<b>14 306</b>	<b>14 211</b>		<b>10 703</b>

**ANNEXURE 1D  
 STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS**

Non-Profit Institutions	Transfer Allocation				Expenditure		2010/11
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
SA National Council for the Blind	287	–	–	287	75	26%	189
Deaf Federation of South Africa	200	–	–	200	67	34%	86
National Council for the Physical Disabled	235	–	–	235	56	24%	207
Workcentres for the Disabled	48 785	–	10 000	58 785	58 785	100%	66 139
Workcentres for the Blind	8 688	–	–	8 688	8 688	100%	8 196
Strengthen Civil Society	15 063	–	–	15 063	15 063	100%	14 379
<b>Total</b>	<b>73 258</b>	<b>–</b>	<b>10 000</b>	<b>83 258</b>	<b>82 734</b>		<b>89 196</b>

**ANNEXURE 1E  
 STATEMENT OF TRANSFERS TO HOUSEHOLDS**

Non-Profit Institutions	Transfer Allocation				Expenditure		2010/11
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
Leave Gratuity	602	–	1 127	1 729	1 729	100.0%	1 656
Retirement Benefit	–	–	–	–	–	–	904
Severance Package	–	–	–	–	–	–	566
Ex-gratia payments	–	–	44	44	44	100.0%	11
<b>Total</b>	<b>602</b>	<b>–</b>	<b>1 171</b>	<b>1 773</b>	<b>1 773</b>		<b>3 137</b>

**ANNEXURE 2A**  
**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Adjustment to opening balance	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Standard Bank of SA Limited	Housing Loan Guarantee	1 574	1 574	(93)	–	(68)	–	1 413	–	–
Nedbank Limited (former Cape of Good Hope)	Housing Loan Guarantee	31	31	(15)	–	–	–	16	–	–
Nedbank Limited	Housing Loan Guarantee	1 355	1 355	(76)	–	–	–	1 279	–	–
Firststrand Bank Limited: FNB	Housing Loan Guarantee	1 704	1 704	(88)	–	(249)	–	1 367	–	–
Nedbank LTD Incorporating BOE	Housing Loan Guarantee	9	9	–	–	–	–	9	–	–
MEEG Bank	Housing Loan Guarantee	25	25	–	–	–	–	25	–	–
ABSA	Housing Loan Guarantee	3 044	3 044	(579)	–	(94)	–	2 371	–	–
Company Unique Finance (PTY)	Housing Loan Guarantee	60	60	–	–	(15)	–	45	–	–
Old Mutual Finance Limited	Housing Loan Guarantee	80	80	–	–	–	–	80	–	–
Peoples Bank (former FBC Fidelity Bank)	Housing Loan Guarantee	339	339	–	–	(15)	–	324	–	–
Nedbank LTD Incorp. NBS (former Peoples Bank NBS)	Housing Loan Guarantee	719	719	(110)	–	–	–	609	–	–
Firststrand Bank Limited: FNB (former Saambou)	Housing Loan Guarantee	685	685	(50)	–	(49)	–	586	–	–
Old Mutual Bank Division of Nedbank (former PERM)	Housing Loan Guarantee	1 390	1 390	(206)	–	(13)	–	1 171	–	–

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Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Adjustment to opening balance	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Future Bank Corporation Limited	Housing Loan Guarantee	14	14	-	-	-	-	14	-	-
Ithala Limited	Housing Loan Guarantee	15	15	-	-	-	-	15	-	-
Free State Development Corporation	Housing Loan Guarantee	113	113	-	-	(21)	-	92	-	-
VBS Mutual Bank	Housing Loan Guarantee	66	66	-	-	-	-	66	-	-
Mpumalanga Housing Finance Unibank	Housing Loan Guarantee	43	43	-	-	-	-	43	-	-
Albaraka Bank	Housing Loan Guarantee	11	11	(11)	-	-	-	-	-	-
BOE Bank Limited	Housing Loan Guarantee	19	19	-	-	-	-	19	-	-
SA Home loans (PTY) LTD	Housing Loan Guarantee	12	12	-	-	-	-	12	-	-
Green Start Home Loans (PTY) LTD	Housing Loan Guarantee	33	33	-	-	-	-	33	-	-
<b>Total</b>		<b>11 341</b>	<b>11 341</b>	<b>(1 228)</b>	<b>-</b>	<b>(524)</b>	<b>-</b>	<b>9 589</b>	<b>-</b>	<b>-</b>

**ANNEXURE 2B  
 STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2012**

Nature of Liability	Opening Balance 1 April 2011	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2012
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the department</b>					
Claims: Supplier-related	409	325	–	–	734
Claims: Employee-related	3 965	1 635	(3 315)	(193)	2 092
Civil Claims	–	14	–	–	14
<b>Other</b>					
Resulting from a contractual dispute with the landlord of the building occupied by the Kwazulu-Natal Provincial Office, this matter is under legal advice with possible material breach of contract.	–	–	–	–	–
<b>TOTAL</b>	<b>4 374</b>	<b>1 974</b>	<b>(3 315)</b>	<b>(193)</b>	<b>2 840</b>



**ANNEXURE 3  
 CLAIMS RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Correctional Service	17	26	–	–	17	26
Agriculture	10	11	–	–	10	11
Higher Education and Training	13 846	520	–	–	13 846	520
International Relations and Cooperation (DIRCO)	113	102	–	–	113	102
Health	329	303	–	–	329	303
Public Works	93	52	–	–	93	52
Social Development	87	87	–	–	87	87
Justice and Constitutional Development	36	27	–	–	36	27
Home Affairs	41	21	–	–	41	21
Transport	8	8	–	–	8	8
Water Affairs and Forestry	29	37	–	–	29	37
Mineral and Energy	21	21	–	–	21	21
Economic Development	36	8	–	–	36	8
Housing	–	12	–	–	–	12
Public Service and Administration (DPSA)	39	39	–	–	39	39
Defence	15	54	–	–	15	54
Agriculture and Rural Development	28	–	–	–	28	–
Rural Development	10	–	–	–	10	–
Arts and Culture	13	–	–	–	13	–
<b>Other Government Entities</b>						
Safety and Security	49	49	–	–	49	49
Provincial Treasury	46	13	–	–	46	13
Gauteng Shared Services	27	27	–	–	27	27
Limpopo Provincial Government	4	10	–	–	4	10
KZN Office of the Premier	–	9	–	–	–	9
Local Government and Trade Affairs	–	25	–	–	–	25
South African Police Service	70	–	–	–	70	–
Compensation Fund (CF)	152 827	3 546	–	–	152 827	3 546
National Skills Fund (NSF)	2	651	–	–	2	651
Unemployment Insurance Fund	21 828	16 762	–	–	21 828	16 762
Government Employees Pension Fund (GEPF)	35	27	–	–	35	27
South African Social Security Agency (SASSA)	64	64	–	–	64	64
<b>TOTAL</b>	<b>189 723</b>	<b>22 511</b>	<b>–</b>	<b>–</b>	<b>189 723</b>	<b>22 511</b>

## ANNEXURE 4 INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Justice and Constitutional Development	-	-	111	420	111	420
Public Works	-	-	-	25 644	-	25 644
Higher Education and Training	-	-	19	-	19	-
Public Service and Administration	-	-	943	-	943	-
<b>OTHER GOVERNMENT ENTITY</b>						
<b>Current</b>						
Provincial Treasury: Eastern Cape	-	-	3	-	3	-
KZN Provincial Government: Works	-	-	19	-	19	-
South-African Police Service	-	-	111	-	111	-
Government Printing Works	-	-	607	-	607	-
Palama	-	-	833	439	833	439
Compensation Fund	2 821	-	-	20 068	2 821	20 068
<b>Total</b>	<b>2 821</b>	<b>-</b>	<b>2 646</b>	<b>46 571</b>	<b>5 467</b>	<b>46 571</b>

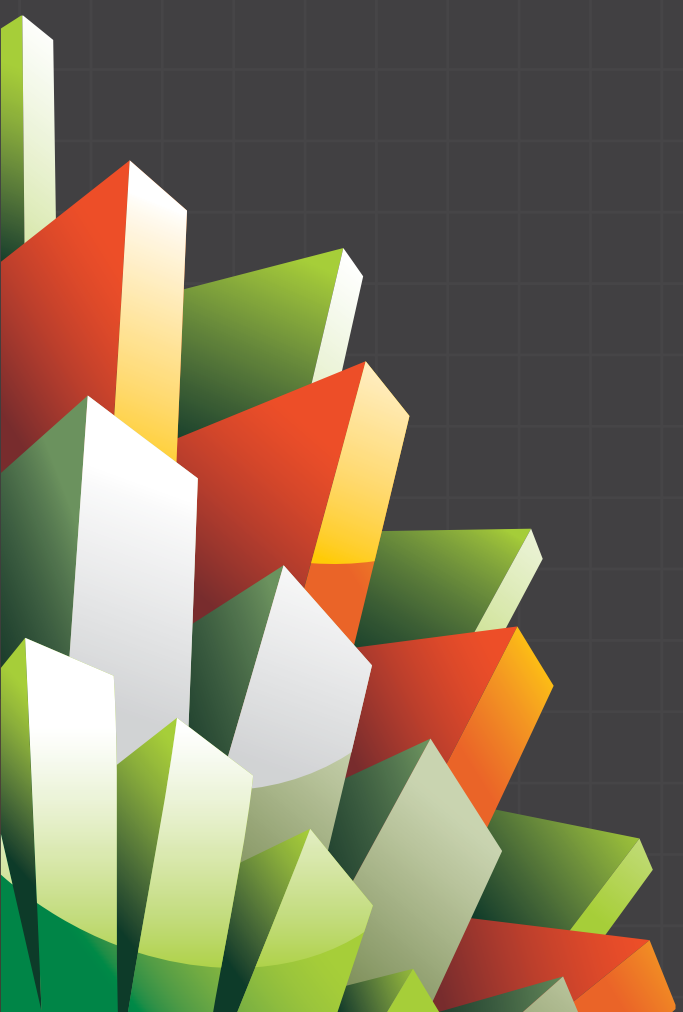
**ANNEXURE 5  
 INVENTORY**

Inventory	Note	2011/12		2010/11	
		Quantity	R'000	Quantity	R'000
<b>Opening balance</b>		938 454	22 857	402 967	6 931
Add/(Less): Adjustments to prior year balance		(639 810)	(19 341)	(74)	(17)
Add: Additions/Purchases - Cash		848 792	26 345	954 279	33 548
Add: Additions - Non-cash		4 472	357	9 407	415
(Less): Disposals		(102 765)	(71)	(23 331)	(2 282)
(Less): Issues		(848 490)	(26 902)	(404 794)	(15 738)
Add/(Less): Adjustments		(969)	1 053	-	-
<b>Closing balance</b>		<b>199 684</b>	<b>4 298</b>	938 454	22 857

- A difference of R6 667 419.98 between the LOGIS additions in Annexure 5 (R26 344 845.44) and BAS additions in Note 4 (R19 677 425.46) is due to the following:

Description of Inventory Received	Inventory Total
Inventory Received and Paid in Current FY	25,106,030.37
Inventory Received but not yet Paid (Accrual)	1,111,661.64
Cash Sundry Extra Ordinary Receipt from Supplier	5,072.62
Inventory Received and Paid with Petty Cash	122,080.81
<b>LOGIS Additions as in Annexure 5</b>	<b>26,344,845.44</b>
Payments directly made on BAS and not LOGIS	594,260.34
<b>Total Inventory Additions</b>	<b>26,939,105.78</b>
UIF and CF inventory additions (claimed from the funds)	7,261,680.32
<b>Department of Labour Inventory Additions</b>	<b>19,677,425.46</b>
<b>BAS Inventory Additions as in Note 4</b>	<b>19,677,425.46</b>





[ANNUAL FINANCIAL  
STATEMENTS]  
Sheltered Employment Factories

**SECTION**

**04**

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## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SHELTERED EMPLOYMENT FACTORIES (SEF)

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the Sheltered Employment Factories set out on pages 162 to 195, which comprise statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in equity and the statement of cash flows for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements GAAP) and the requirements of the Public Finance Management Act, 1999 of South Africa (Act No.1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those 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.
4. 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 judgement, 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sheltered Employment Factories as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the Public Finance Management Act, 1999 of South Africa (Act No. 1 of 1999) (PFMA).

#### Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Restatement of corresponding figures

8. As disclosed in note 19.2 and 19.3 to the financial statements misstatements in the corresponding figures were identified during our audit of the financial statements of the current year relating to the cash flow statement which amounted to R560 703 and provision for obsolete inventory amounting to R551 041. Management corrected the misstatements by restating the corresponding figures for 31 March 2011.
9. As disclosed in the note 19.1 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error relating to understatement of finance leases discovered by management in the financial statements of the Sheltered Employment Factories for the year ended 31 March 2012.

**Financial sustainability/going concern**

10. The Statement of Changes in Equity on page 6 of the financial statements indicate that Sheltered Employment Factories incurred a net loss of R12 096 779 during the year ended 31 March 2012 and, as of that date, the entity has provided for doubtful debts amounting to R10 671 313. These conditions and issues over settlement of creditors indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern. The underlying causes of these indicators are due to a decrease in the additional funding provided by the Department of Labour and the entity not obtaining sufficient orders from government departments. The accounting officer's report on page 163 indicates that SEF is currently busy with the Business Case which will establish structures to stabilize and improve the current financial position of the entity.

**Material losses**

11. As disclosed in note 3 to the financial statements material losses to the amount of R1 006 852 were incurred due to the write down of inventory to the net realisable value.
12. As disclosed in note 20 to the financial statements material losses to the amount of R 130 374 were incurred due to criminal conduct by fraudsters.

**Irregular expenditure incurred**

13. As disclosed in note 17 to the financial statements, Sheltered Employment Factories incurred irregular expenditure amounting to R30 359 825 due to lack of supply chain management processes.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

14. In accordance with the PM and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

**Predetermined objectives**

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance information report as set out on pages 194 to 195 of the annual report.
16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

17. The material findings are as follows: concerning the usefulness and reliability of the information.

**Usefulness of information**

18. For selected objectives 22% of indicators and 44% of targets of Sheltered Employment Factories did not relate logically and directly to an aspect of the Department of Labour's mandate, the realisation of strategic goals and objectives, as they were not properly aligned.
19. There were no material findings on the annual performance report concerning the reliability of the information

**Additional matter**

20. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit finding reported above.

**Achievement of planned targets**

21. Of the total number of planned targets, only two were achieved during the year under review. This represents 78% of total planned targets that were not achieved during the year under review.

**Compliance with laws and regulations**

22. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PM are as follows:

**Annual financial statements**

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

**Procurement and contract management**

24. Goods and services with a transaction value of between R10 000 and R500 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of Treasury Regulation 16A6.1 .
25. Consultants were appointed to render services for which there was sufficient time to recruit people to perform the work, in contravention of Treasury Regulation 16A6.3(g)
26. Employees of the entity performed remunerative work outside their employment in SEF without written permission from the relevant authority as required by section 30 of the Public Service Act

**Expenditure management**

27. The accounting officer did not take all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful, as required by sections 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.
28. The accounting officer did not take effective steps to prevent losses resulting from criminal conduct, as required by section 38(1)(c)(ii) of the Public Finance Management Act.

**Human resource management and compensation**

29. A written policy on overtime was not in place as required by Public Service Regulation 1NID2 (b).
30. Sufficient appropriate audit evidence could not be obtained that persons in charge at pay points certified that the employees receiving payment were entitled thereto as required by TR 8.3.4.

**Revenue management**

31. The accounting officer did not take effective and appropriate steps to collect all money due, as required by section 38(1)(c)(i) of the Public Finance Management Act and Treasury Regulations 11.2.1, 15.1 0.1.2(a) and 15.1 0.1 .2(e).

**Internal control**

32. I considered internal control relevant to my audit of the financial statements, name of performance information report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the name of performance information report and the findings on compliance with laws and regulations included in this report.

**Leadership**

33. The accounting officer did not have sufficient monitoring controls to ensure adherence to laws and regulations relating to procurement, revenue management, expenditure management and human resource. IT governance was not prioritised, and there was inadequate review of financial statements prior to submission and no proper implementation of the overall process of planning indicators and targets on predetermined objectives at entity level for purposes of taking corrective action.



**Financial and performance management**

34. Management did not adequately review the financial statements and supporting schedules to ensure that accurate and complete financial statements that are aligned to the reporting framework are prepared and this resulted in material misstatements.

**OTHER REPORTS**

**Investigations**

35. An instructor and a factory manager were alleged to have committed financial misconduct, SEF did an investigation and the employees were found guilty and were dismissed immediately. A criminal investigation by the South African Police to determine the amount stolen by the former employees is underway; the case has not been concluded to date.

*Auditor-General*

Pretoria  
31 July 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# [STATEMENT OF RESPONSIBILITY]

## [BY THE ACCOUNTING OFFICER]

The Director-General of Labour is responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and in the manner required by the Public Finance Management Act, 1999, (Act No. 1 of 1999). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Auditor-General of South Africa is responsible for expressing an opinion on the fair presentation of the financial statements.

As the Director-General is also responsible for the system of internal financial control, it should be noted that these are designed to provide reasonable, but not absolute, assurance as to the fair presentation of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatements and loss. Nothing has come to the attention of the Director-General to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the Director-General has every reason to believe that the SEF factories have adequate resources in place to continue in operation for the foreseeable future.

The financial statements have been audited by the Auditor-General of South Africa, who was given unrestricted access to all financial records and related data, including minutes of all management meetings held. The Auditor-General of South Africa believes that all representations made to the Auditor-General of South Africa during the audit were valid and appropriate.

The financial statements were approved by the Director-General on 31 May 2012.

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**Mr. NPT Nhleko** | Director-General of Labour

# [REPORT OF THE ACCOUNTING OFFICER]

## [TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA]

### General review of the state of affairs

The Sheltered Employment Factories (SEF) were established in 1943 to provide employment for people with mental and physical disabilities that prevented them from entering the open labour market due to the nature of their afflictions. Of the 918 factory workers currently employed, 80% are intellectually / mentally / psychologically challenged. The factories are open to all races.

The factories have operated without enabling legislation since inception, except for a Cabinet Memorandum, first compiled in 1947. This issue is being addressed by investigating options for conferring an appropriate legal and corporate form for the entity and a transformation plan that will align with government's national integrated disability strategy.

There are currently 12 factories across the country in seven provinces. Income from the factories are generated from sales of manufactured goods that include wood and metal furniture, hospital commodities, linen, bedding, protective clothing, garments, upholstery, bookbinding and screen printing. The income from sales, supplemented by subsidy transfers from the Department of Labour, covers the operating expenses of the factories.

It is the vision of the factories to transform and expand direct employment for people with intellectual and multiple disabilities, and to develop as a provider of quality training for people with disabilities to enable and facilitate their transition into the open labour market. The second phase of the SEF business case is currently in progress with National Treasury assistance and it is envisioned that it will be finalised before the middle of the next financial year. The Employment Services Bill released by Cabinet for public consultation provides for the SEF legal status. The conclusion of the business case and the passage of the bill will enable the Department to finalise the organisational structure and funding framework of the entity.

### Results of operations

The results of the operations of the SEF are summarised in the Statement of Comprehensive Income and the Statement of Changes in Equity.

### Registered Officer (Under the auspices of the Department of Labour)

221 Moreleta Street, Silverton, Pretoria, 0184

### Accounting Officer

The Director-General of Labour is the appointed Accounting Officer of SEF.

### Auditor

The Auditor-General of South Africa will continue as auditor of the SEF.

### Going Concern

Sheltered Employment Factories is an entity that is a going concern and has continued to adopt the going concern basis in preparing the annual financial statements. The SEF continues to receive government grants from the Department of Labour and have prepared budgets and cash flow forecasts for the 12 months subsequent to year end.

### Events subsequent to balance sheet date

No matter, which is material to the financial affairs of the entity, has occurred between the balance sheet date and the date of approval of the financial statements.

**SCOPA RESOLUTIONS**

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
<b>SCOPA Report</b>	Supply Chain Management	
	No competitive bids	<p>The practice of obtaining competitive quotes from known suppliers has been in place for many years.</p> <p>It needs to be noted however that there are limited suppliers of major raw materials such as locally produced fabric that meets SABS certification for hospital linen, and saligna wood for school furniture.</p> <p>There is a supplier database in place. To ensure that the supplier database is complete a detailed set of specifications has been compiled for all major raw materials. Approval to advertise these in the Government Tender Bulletin is being sought through the Departmental Sub-Tender Committee.</p> <p>Respondents to the advertisement will then be evaluated by the Departmental Bid Adjudication Committee and approved suppliers added to the existing supplier database.</p>
	No valid transport contract	<p>Transport issues have been resolved and courier services are being utilised in terms of State contract arranged by National Treasury. In cases where courier services are not utilised, transport services are procured on a three-quote basis by making use of the database of service providers.</p>
	Availability of skilled staff	<p>The project to restructure the factories is progressing slowly with assistance from the Technical Assistance Unit (TAU) of the National Treasury.</p> <p>Population of organisation structures will be progressed when the transformation plan is approved.</p>
	Impairment of redundant assets	<p>The SEF is now compliant with SA GAAP. Redundant / obsolete fixed assets have been identified and provisions made in the Annual Financial Statements for impairment. A new asset management policy addressing the finding was approved by the accounting officer on 10 March 2011.</p>

## PRIOR MODIFICATIONS TO AUDIT REPORTS

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<b>Matters affecting the audit report</b>		
Qualification – Operating leases disclosure	31 March 2010	Target 31 December 2012
Qualification – Inventory valuation	31 March 2011	Resolved
Qualification – Property, plant and equipment valuation, completeness and existence	31 March 2010	Resolved
Qualification – Cost of sales	31 March 2009	Resolved
<b>Report on pre-determined objectives</b>		
Non-compliance TR 5.1.1 – no strategic plan in place	31 March 2010	Resolved
<b>Compliance with laws and regulations</b>		
Non-compliance PFMA 38(1)(a) – control environment	31 March 2010	Target 31 August 2012
Non-compliance PFMA 40(1)(c)(i) – material changes to annual financial statements	31 March 2010	Target 31 August 2012
Non-compliance TR 9.1.1 – irregular and fruitless and wasteful expenditure	31 March 2009	Target 31 August 2012
Non-compliance TR 16A6.1 – procurement practices	31 March 2010	Target 31 August 2012
Non-compliance TR 8.2.1 – approved delegation of authority	31 March 2011	Target 31 August 2012
Non-compliance TR 11.2 – collection of debtors	31 March 2010	Target 31 December 2012
Non-compliance TR 3.2.1 – approval of fraud prevention plan	31 March 2011	Resolved

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**Approval**

The Annual Financial Statements have been approved by the Accounting Officer on 31 July 2012.



Mr. NPT Nhleko | Director-General of Labour

**[STATEMENT OF COMPREHENSIVE INCOME]**

	Note	2011/12	2010/11
		R	R
Revenue	1	50 280 045	49 910 548
Cost of sales		(36 352 021)	(35 645 461)
<b>Gross profit</b>		<b>13 928 024</b>	<b>14 265 087</b>
Other revenue	2	64 266 279	70 212 973
Operating expenses	3	(89 999 434)	(86 546 373)
<b>Operating (loss) / profit</b>		<b>(11 805 131)</b>	<b>(2 068 313)</b>
Investment income	4	694 288	13 516
Finance costs	5	(985 936)	(21 638)
<b>Loss for the year</b>		<b>(12 096 779)</b>	<b>(2 076 435)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income / (Loss)</b>		<b>(12 096 779)</b>	<b>(2 076 435)</b>

**[STATEMENT OF FINANCIAL POSITION]**

	Note	2011/12 R	2010/11 R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>10 074 102</b>	11 663 269
Property, plant and equipment	6	10 074 102	11 663 269
<b>Current assets</b>		<b>22 552 550</b>	32 583 725
Inventories	7	8 496 328	13 980 981
Trade and other receivables	8	7 694 061	10 407 353
Cash and cash equivalents	9	6 362 161	8 195 391
<b>Total Assets</b>		<b>32 626 652</b>	44 246 994
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>11 149 199</b>	23 245 978
Retained earnings		11 149 199	23 245 978
<b>Total Equity</b>		<b>11 149 199</b>	23 245 978
<b>Liabilities</b>			
<b>Non-current liabilities</b>		<b>378 500</b>	103 046
Non-current finance lease liability	10	378 500	103 046
<b>Current liabilities</b>		<b>21 098 953</b>	20 897 970
Trade and other payables	11	15 195 631	14 015 237
Deferred income	12	5 791 311	6 763 340
Current portion of finance lease liability	10	114 011	119 393
<b>Total Liabilities</b>		<b>21 477 453</b>	21 001 016
<b>Total Equity and Liabilities</b>		<b>32 626 652</b>	44 246 994

## [STATEMENT OF CHANGES IN EQUITY]

	Note	Retained earnings	Total equity
		R	R
<b>Balance at 1 April 2010</b>		25 879 316	25 879 316
Prior period error	19	( 556 903)	( 556 903)
Total comprehensive loss for the year		( 2 076 435)	( 2 076 435)
<b>Restated balance at 31 March 2011</b>		23 245 978	23 245 978
Total comprehensive loss for the year		( 12 096 779)	( 12 096 779)
<b>Balance at 31 March 2012</b>		11 149 199	11 149 199



**[STATEMENT OF CASH FLOWS]**

	Note	2012	2011
		R	R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		111 151 493	112 495 107
Cash paid to suppliers and employees		( 112 244 207)	( 115 950 706)
Cash generated from operations	13	( 1 092 714)	( 3 455 599)
Interest income		694 288	13 516
Finance costs		( 944 872)	( 21 638)
<b>Net cash flows from operating activities</b>		<b>( 1 343 298)</b>	<b>( 3 463 721)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	( 411 249)	( 884 452)
Proceeds on disposal of property, plant and equipment		68 061	41 493
<b>Net cash flows from investing activities</b>		<b>( 343 188)</b>	<b>( 842 959)</b>
<b>Cash flows from financing activities</b>			
Finance lease additions/(payments)		( 146 744)	( 559 249)
<b>Net cash flows from financing activities</b>		<b>( 146 744)</b>	<b>( 559 249)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>( 1 833 230)</b>	<b>( 4 865 929)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>8 195 391</b>	<b>13 061 320</b>
<b>Cash and cash equivalents at end of the year</b>	9	<b>6 362 161</b>	<b>8 195 391</b>

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## [1. BASIS OF PRESENTATION]

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention. The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Accepted Accounting Practice (GAAP).

**These accounting policies are consistent with the previous period.**

### 1.1 Critical judgments, estimations and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

**Significant judgements include:**

#### 1.1.1 Trade receivables

The entity assesses its trade receivables for impairment at the end of each statement of financial position date. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, the entity makes judgements as to whether there is observable data indicating a measureable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables 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 date that correlates with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### 1.1.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

#### 1.1.3 Impairment of Financial Assets

Accounting Policy 4.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the entity considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement. The management of the entity is satisfied that the impairment of financial assets recorded during the year, is appropriate.

#### 1.1.4 Useful lives of Property, Plant and Equipment ("PPE") and Intangible Assets

As described in Accounting Policies 2.3 and 3.2, the entity depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

#### 1.1.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

### 1.2 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the entity's functional currency.

### 1.3 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

## 1.4 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a South African Standards of Generally Accepted Accounting Practice.

# [2. PROPERTY, PLANT AND EQUIPMENT]

## 2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

## 2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

## 2.3 Depreciation

Depreciation on assets is calculated on cost, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Item	Years
Plant and machinery	10 – 15
Furniture and fixtures	12 – 15
Office equipment	8 – 10
IT equipment	5 – 8
Appliances	5 – 8
Leased assets	3 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

## 2.4 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term.

## 2.5 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This included in the Statement of Comprehensive Income as a gain or loss on disposal of property, plant and equipment.

## 2.6 Impairment of assets

### 2.6.1 Cash generating assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### 2.6.2 Impairment of non-cash generating assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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## [3. INTANGIBLE ASSETS]

### 3.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

### 3.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 2 to 3 years.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period

that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Comprehensive Income.

### 3.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Comprehensive Income.

## [4. FINANCIAL INSTRUMENTS]

The entity has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

### 4.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The entity has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Trade Debtors
- Certain Other Debtors (see note 8)
- Bank Balances and Cash

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In accordance with IAS 39.09, the Financial Assets of the entity are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Bank Balances and Cash	Held for trading
Trade Debtors	Loans and receivables
Other Debtors	Loans and receivables

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The entity categorises cash and cash equivalents as financial assets: held for trading.

## 4.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 13)
- Current Portion of Long-term Liabilities

There is one main category of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured as:

- Fair value through profit and loss.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Liabilities at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the entity are all classified as "Fair value through profit and loss".

## 4.3 Initial and Subsequent Measurement

### 4.3.1 Financial Assets:

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Held for Trading are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Comprehensive Income.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

### 4.3.2 Financial Liabilities:

Liabilities at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

## 4.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Trade Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### 4.5 Derecognition of Financial Assets

The entity derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when the accounting officer approves the write-off of Financial Assets due to non recoverability.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 4.6 Derecognition of Financial Liabilities

The entity derecognises Financial Liabilities when, and only when, the entity's obligations are discharged, cancelled or they expire.

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## [5. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES]

It is the policy of the entity to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed on the reporting date.

Risks and exposure are disclosed as follows:

#### 5.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

#### 5.2 Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

- Sufficient cash is maintained to manage the SEF's liquidity risk. Limitations are imposed by Treasury Regulations 32 to the Public Finance Management Act, 1999 (Act 1 of 1999) on borrowings, which limits the committed lines of credit available to SEF.



### 5.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

Management has assessed the impact of interest rate risk on the operations of the entity and considers the risk to be negligible.

### 5.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the entities income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## [6. INVENTORIES]

Inventories comprising consumable stores, raw materials and finished goods are valued at lower of cost and net realizable value, determined on the weighted average cost.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision for obsolete stock is determined at 100% of the value of inventories that have not been used in production or sold for a period longer than 12 months.

When inventories are sold, the carrying amount of these inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write downs of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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## [7. REVENUE RECOGNITION]

Revenue comprises the fair value of the consideration received or receivable for the sale services in the ordinary course of the entity's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the entities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

The entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest is recognised, in profit or loss, using the effective interest rate method.

## [8. GOVERNMENT GRANTS AND RECEIPTS]

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, are recognised in the Statement of Comprehensive Income in the period in which they become receivable.

## [9. PROVISIONS]

Provisions are recognised when the entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Comprehensive Income as a finance cost as it occurs.

## [10. EMPLOYEE BENEFITS]

### 10.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Comprehensive Income as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The entity treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The entity recognises the expected cost of performance bonuses only when the entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### 10.2 Defined Contribution Plans

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Comprehensive Income in the period in which the service is rendered by the relevant employees. The entity has no further payment obligations once the contributions have been paid.

The entity is also liable for other post retirement benefits, such as accumulated leave balance, to which workers become entitled to at retirement.

## [11. LEASES]

### 11.1 The Entity as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 11.2 The Entity as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the entity's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the entity's net investment outstanding in respect of the leases or installment sale agreements. Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

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## [12. TAX]

**12.1 The entity accounts for Value Added Tax on the invoice basis.**

**12.2 Provision has not been made for taxation as the entity is exempt from income tax.**

## [13. CASH AND CASH EQUIVALENTS]

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

## [14. IRREGULAR EXPENDITURE]

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including: the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999); the State tender Board Act, 1968 (Act No. 86 of 1968, or any regulation made in terms of that Act.

Irregular expenditure is recognised as expenditure in the Statement of Comprehensive Income. If the expenditure is not condoned by the Accounting Officer it is treated as an asset until it is recovered or written off as irrecoverable.

## [15. FRUITLESS AND WASTEFUL EXPENDITURE]

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Comprehensive Income. If the expenditure is not condoned by the Accounting Officer it is treated as an asset until it is recovered or written-off as irrecoverable.

## [16. RELATED PARTIES]

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

## [17. EVENTS AFTER THE REPORTING DATE]

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

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## [18. COMPARATIVE INFORMATION]

### 18.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
<b>1. Revenue</b>			
Revenue from sale of goods		50 280 045	49 910 548
<b>2. Other Revenue</b>			
Department of Labour transfer		63 265 619	68 099 258
Deferred revenue recognised	12.	972 029	2 086 044
Commission received		28 631	27 671
		<b>64 266 279</b>	<b>70 212 973</b>
<b>3. Operating expenses</b>			
Advertising		33 345	93 595
Auditor's remuneration	3.1	1 768 420	2 415 033
Bad debts written off		-	479 371
Bank Charges		137 810	144 930
Professional fees		1 100 478	1 218 097
Depreciation on property, plant and equipment		2 178 780	1 231 735
Employee costs		69 609 670	65 891 675
Operational expenses		6 162 184	5 741 398
Write down of inventory expense		1 006 852	1 952 806
Entertainment		3 230	18 360
Impairment on trade and other receivables		71 769	( 86 300)
Minor assets expensed		-	14 880
Loss on disposal of assets		129 327	426 595
IT expenses		1 057 135	836 422
Printing and stationary		417 065	463 925
Repairs and maintenance		244 690	191 342
Rentals (lease charges)		37 854	54 820
Health and safety		1 702	-
Security		859 204	719 974
Telephone and fax		1 160 971	1 207 969
Training		118 306	114 841
Transport and freight		3 740 429	3 234 516
Travel local		160 213	180 389
		<b>89 999 434</b>	<b>86 546 373</b>
<b>3.1 Auditors remuneration</b>			
Fees		1 768 420	2 415 033
<b>4. Investment income</b>			
Bank		377 733	13 516
Interest on overdue debtors accounts		316 555	-
		<b>694 288</b>	<b>13 516</b>
<b>5. Finance Costs</b>			
Interest charge on finance leases		41 064	18 414
Other interest paid		944 872	3 224
		<b>985 936</b>	<b>21 638</b>

	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
<b>6. Property, plant and equipment</b>			
<b>Carrying amounts of:</b>			
Plant and machinery		7 912 375	9 362 661
Furniture and fixtures		1 101 280	1 363 944
Office equipment		165 441	204 347
Computer equipment		405 859	425 682
Appliances		77 352	87 964
Leased assets		411 795	218 671
		<b>10 074 102</b>	<b>11 663 269</b>

	<i>Note</i>	<b>Plant and machinery</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Appliances</b>	<b>Leased assets</b>	<b>TOTAL</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Cost / Valuation</b>								
<b>Balance at 1 April 2010</b>		<b>16 698 989</b>	<b>1 764 556</b>	<b>563 983</b>	<b>1 766 080</b>	<b>125 623</b>	<b>422 964</b>	<b>21 342 195</b>
Additions		666 557	68 844	903	35 814	21 502	90 832	884 452
Disposals		(922 536)	(52 004)	(146 634)	(397 852)	(10 194)	–	(1 529 220)
Prior period error	19.1	–	–	–	–	–	137 488	137 488
<b>Balance at 31 March 2011</b>		<b>16 443 010</b>	<b>1 781 396</b>	<b>418 252</b>	<b>1 404 042</b>	<b>136 931</b>	<b>651 284</b>	<b>20 834 915</b>
Additions		98 704	48 057	20 188	219 369	24 931	375 752	787 001
Disposals		(244 165)	(17 217)	(27 607)	(171 196)	(4 320)	(223 501)	(688 006)
<b>Balance at 31 March 2012</b>		<b>16 297 549</b>	<b>1 812 236</b>	<b>410 833</b>	<b>1 452 215</b>	<b>157 542</b>	<b>803 535</b>	<b>20 933 910</b>

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<b>Accumulated depreciation</b>								
<b>Balance at 1 April 2010</b>		<b>6 644 379</b>	<b>370 664</b>	<b>265 406</b>	<b>1 338 126</b>	<b>39 022</b>	<b>248 629</b>	<b>8 906 226</b>
Eliminated on disposal of assets		(553 978)	(21 437)	(101 521)	(381 953)	(2 243)	–	(1 061 132)
Depreciation expense		986 942	71 233	50 019	22 187	12 188	89 166	1 231 735
Prior period error	19.1	–	–	–	–	–	94 818	94 818
<b>Balance at 31 March 2011</b>		<b>7 077 343</b>	<b>420 460</b>	<b>213 904</b>	<b>978 360</b>	<b>48 967</b>	<b>432 613</b>	<b>9 171 647</b>
Eliminated on disposal of assets		(109 891)	(18 893)	(25 679)	(148 219)	(1 015)	(186 922)	(490 619)
Depreciation expense		1 417 723	309 390	57 166	216 214	32 238	146 049	2 178 780
<b>Balance at 31 March 2012</b>		<b>8 385 175</b>	<b>710 957</b>	<b>245 391</b>	<b>1 046 355</b>	<b>80 190</b>	<b>391 740</b>	<b>10 859 808</b>

	Note	2012	2011
		R	R
<b>7. Inventories</b>			
Raw materials and components		6 905 732	12 573 696
Work in progress		505 586	532 841
Finished goods		1 660 076	2 732 982
		<b>9 071 394</b>	15 839 519
Inventory write downs to net realizable value		(575 066)	(1 858 538)
		<b>8 496 328</b>	13 980 981
Value of inventory carried at fair value less costs to sell		-	-

<b>8. Trade and other receivables</b>			
Trade receivables		18 317 909	20 580 924
Provision for doubtful debts	8.1	(10 671 313)	(10 599 544)
		<b>7 646 596</b>	9 981 380
VAT receivable		-	346 850
Sundry debtors		47 465	79 123
		<b>7 694 061</b>	10 407 353
Age of receivables that are past due but not impaired			
Current (0 – 30 days)		1 406 720	8 840 781
31 - 60 Days		4 374 836	1 330 772
61 - 90 Days		1 516 125	123 021
91 - 120 Days		396 380	112 779
		<b>7 694 061</b>	10 407 353

<b>8.1 Reconciliation of the doubtful debt provision</b>			
Balance at beginning of the year		10 599 544	10 685 844
Increase / (decrease) in impairment		71 769	(86 300)
<b>Balance at end of the year</b>		<b>10 671 313</b>	10 599 544

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In determining the recoverability of a trade receivable, the entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large.

Age of impaired trade receivables			
Greater than 120 days		10 671 313	10 599 544
		<b>10 671 313</b>	10 599 544

<b>9. Cash and cash equivalents</b>			
Bank balances		6 339 061	8 172 291
Cash on hand		23 100	23 100
		<b>6 362 161</b>	8 195 391

**9.1 Significant cash and cash equivalent balances held by the entity that are not available for use by the entity.**

The entity holds the amount in its call account which relates to certain conditional grants from the Department of Labour for which the conditions of recognition have not yet been met.

		<b>5 943 932</b>	7 131 337
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	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
<b>10. Finance lease liability</b>			
The entity leases certain of its office equipment in terms of finance leases. The entity does not have the option to acquire the assets at the termination of the lease. The average lease term is 5 years and the average effective borrowing rate was 10% (2011: 11%). Interest rates are linked to prime at the contract date. Some leases have fixed repayments, others have a 15% per annum escalation clause.			
<b>Amounts payable under finance leases:</b>			
Finance lease liability - Minimum lease payments			
No later than 1 year		150 470	136 314
Later than 1 year and no later than 5 years		429 854	122 755
Later than 5 years		-	-
Future Finance charges on finance leases		(87 813)	(36 630)
Present Value of finance lease liability		492 511	222 439
<b>Present Value of Minimum Lease Obligations:</b>			
No later than 1 year		114 011	119 393
Later than 1 year and no later than 5 years		378 500	103 046
Later than 5 years		-	-
		492 511	222 439
<b>11. Trade and other payables</b>			
Trade payables		8 908 892	6 965 168
Accruals		2 080 308	1 299 076
Income received in advance		1 358 935	1 093 182
VAT payable		490 498	-
Accrued leave pay		2 224 085	2 162 367
Accrued staff and workers backpay		-	2 321 410
Stabilisation fund		108 781	129 747
Unreconciled receipts		-	28 916
Outstanding cheques		22 132	15 371
		15 193 631	14 015 237
<b>12. Deferred income</b>			
Balance at beginning of the year		6 763 340	8 849 384
Conditions met and recognised as revenue	2	(972 029)	(2 086 044)
Balance at end of the year		5 791 311	6 763 340
Balance at end of year relates to the following projects:			
Business case project		3 316 049	3 316 049
Other special projects		2 475 262	3 447 291
		5 791 311	6 763 340

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<i>Note</i>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>13. Cash generated from operations</b>		
(Loss) / profit for the year	<b>(12 096 779)</b>	(2 076 435)
<b>Adjustments for:</b>	<b>2 599 755</b>	1 666 452
Depreciation	<b>2 178 780</b>	1 231 735
Interest income	<b>(694 288)</b>	(13 516)
Finance costs	<b>985 936</b>	21 638
(Profit)/loss on sale of assets	<b>129 327</b>	426 595
<b>Operating surplus before working capital changes:</b>	<b>(9 497 024)</b>	(409 983)
(Increase)/decrease in inventories	<b>5 484 653</b>	(196 356)
(Increase)/decrease in trade and other receivables	<b>2 713 292</b>	(1 674 686)
Increase/(decrease) in trade and other payables	<b>1 178 395</b>	911 470
Increase/(decrease) in deferred income	<b>(972 030)</b>	(2 086 044)
	<b>(1 092 714)</b>	(3 455 599)

#### 14. Defined contribution plan

Included in employee costs are the following:

Pension fund: Factory Instructors	<b>798 419</b>	688 390
Pension fund: Administrative Staff	<b>1 209 156</b>	1 134 179
Provident fund: Factory Workers	<b>2 317 350</b>	2 242 290
Provident fund: Factory Administrative Workers	<b>69 007</b>	128 929
	<b>4 393 932</b>	4 193 788

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#### 15. Related parties

All the transactions below were made on terms equivalent to those in arm's length transaction unless otherwise stated.

##### 15.1 Related party relationships

SEF is an entity controlled by the Department of Labour (DoL), the Accounting Officer of SEF is the Director-General of the DoL and DoL has control and significant influence on the operations of the SEF as defined in IAS 24 Related Parties.

SEF is a related party to all national government departments as a result of the relationship with DoL.

SEF is a related party to all national government entities as a result of operating in the national sphere of government as defined in SAICA Circular 04/05.

	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
<b>15.2 Related party transactions</b>			
<b>Revenue received</b>			
Sale of goods to government departments and entities.		49 355 483	48 638 914
Sale of goods to SEF CEO		-	350
Transfers - Department of Labour subsidy		63 265 619	68 099 258
SARS - VAT refund		700 547	942 644
<b>Total</b>		<b>113 321 649</b>	<b>117 681 166</b>
<b>Payments made</b>			
SARS - VAT		1 234 646	821 291
SARS - PAYE		1 745 931	1 322 706
SARS - UIF		1 099 406	1 098 609
Compensation Fund		-	827 108
Telkom		1 111 850	1 001 835
Department of Labour		114 813	49 757
<b>Total</b>		<b>5 306 646</b>	<b>5 121 306</b>
<b>15.3 Related party balances</b>			
<b>Year end balances arising from revenue/payments</b>			
Receivables from government departments and entities		13 564 161	15 904 369
Provision for doubtful debts related to receivables amount		(8 339 842)	(5 457 123)
SARS - VAT Payable		490 498	-
SARS - VAT Receivable		-	346 850
Telkom - Accrual		66 137	6 595
<b>Total</b>		<b>5 780 954</b>	<b>10 800 691</b>
<b>15.4 Compensation to key management personnel</b>			
Short term employee benefits		4 480 619	1 960 564
<b>15.5 Other</b>			
Rustin Music		-	800
Ms P.E. Rustin is a staff member of SEF and a member of Rustin Music. The transaction was for the rental of a sound system for a Departmental visit to SEF factories in Cape Town.			

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		2012	2011
		R	R
<b>16. Financial instruments</b>			
<b>16.1 Classification</b>			
<b>16.1.1 Financial assets</b>			
In accordance with IAS 39.09 the Financial Assets of the entity are classified as follows:			
<b><u>Financial Assets</u></b>	<b><u>Classification</u></b>		
<b>Receivables</b>			
Trade receivables	Loans and receivables		
VAT receivable	Loans and receivables		
Sundry debtors	Loans and receivables		
<b>Bank, Cash and Cash Equivalents</b>			
Bank Balances	Held for trading		
<b>Summary of financial assets</b>			
<b>Receivables</b>			
Trade receivables	Loans and receivables	7 646 596	9 981 381
VAT receivable	Loans and receivables	-	346 850
Sundry debtors	Loans and receivables	47 465	79 123
		<b>7 694 061</b>	<b>10 407 354</b>
<b>Held for trading</b>			
Bank Balances and Cash	Bank Balances	6 362 161	8 195 391
		<b>6 362 161</b>	<b>8 195 391</b>
<b>Total Financial Assets</b>		<b>14 056 222</b>	<b>18 602 745</b>

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**16.1.2 Financial liabilities**

In accordance with IAS 39.09 the Financial Liabilities of the entity are classified as follows :

<b><u>Financial Liabilities</u></b>	<b><u>Classification</u></b>
<b>Long-term Liabilities</b>	
Non-current finance lease liability	Financial liabilities at amortised cost
<b>Creditors</b>	
Trade payables	Financial liabilities at amortised cost
Accruals	Financial liabilities at amortised cost
Income received in advance	Financial liabilities at amortised cost
VAT payable	Financial liabilities at amortised cost
Accrued leave pay	Financial liabilities at amortised cost
Stabilisation fund	Financial liabilities at amortised cost
Unreconciled receipts	Financial liabilities at amortised cost

		2012	2011
		R	R
<b>Outstanding cheques</b>	Financial liabilities at amortised cost		
<b>Current Portion of Long-term Liabilities</b>			
Current portion of finance lease liability	Financial liabilities at amortised cost		
Summary of financial liabilities			
<b>Financial Liabilities at Amortised Cost</b>			
Long-term Liabilities	Non-current finance lease liability	378 500	103 046
Current Portion of Long-term Liabilities	Current portion of finance lease liability	114 011	119 393
Creditors	Trade payables	8 908 892	6 965 168
Creditors	Accruals	2 080 308	1 299 076
Creditors	Income received in advance	1 358 936	1 093 182
Creditors	VAT payable	490 498	–
Creditors	Accrued leave pay	2 224 085	2 162 367
Creditors	Accrued back pay	–	2 321 410
Creditors	Stabilisation fund	108 781	129 747
Creditors	Unreconciled receipts	–	28 916
Creditors	Outstanding cheques	22 132	15 372
<b>Total Financial Liabilities</b>		<b>15 686 143</b>	<b>14 237 677</b>

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**16.2 Fair Value**

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- The Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices
- The Fair Value of other Financial Assets and Financial Liabilities is determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest
- The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 31 March 2012, as a result of the short-term maturity of these assets and liabilities.

31 March 2012	Carrying Amount R	Fair Value R
<b>16.2 Fair Value</b>		
<b>Financial Assets</b>		
<b>Loans and Receivables</b>		
Trade receivables (incl doubtful debt provision)	7 694 061	7 694 061
<b>Held for trading</b>		
Bank Balances and Cash	6 362 161	6 362 161
<b>Total Financial Assets</b>	<b>14 056 222</b>	<b>14 056 222</b>
<b>Financial liabilities</b>		
<b>Financial Liabilities at Amortised Cost:</b>		
Long-term Liabilities	378 500	378 500
Current Portion of Long-term Liabilities	114 011	114 011
Creditors	15 193 631	15 193 631
<b>Total Financial Liabilities</b>	<b>15 686 142</b>	<b>15 686 142</b>
<b>Total Financial Instruments</b>	<b>(1 629 920)</b>	<b>(1 629 920)</b>
<b>31 March 2011</b>		
	Carrying Amount R	Fair Value R
<b>Financial Assets</b>		
<b>Loans and Receivables</b>		
Trade receivables (incl doubtful debt provision)	10 407 353	10 407 353
<b>Held for trading</b>		
Bank Balances and Cash	8 195 391	8 195 391
<b>Total Financial Assets</b>	<b>18 602 744</b>	<b>18 602 744</b>
<b>Financial liabilities</b>		
<b>Financial Liabilities at Amortised Cost:</b>		
Long-term Liabilities	103 046	103 046
Current Portion of Long-term Liabilities	119 393	119 393
Creditors	14 015 237	14 015 237
<b>Total Financial Liabilities</b>	<b>14 237 676</b>	<b>14 237 676</b>
<b>Total Financial Instruments</b>	<b>4 365 068</b>	<b>4 365 068</b>

### 16.3 Financial Risk Management Objectives

Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the ISA's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The entities finance department monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The entity does not enter into or trade financial instruments for speculative purposes.

### 16.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

### 16.5 Market Risk

The entity's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

### 16.6 Interest Rate Risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. There was no change in the entity's interest rate risk management policy during the period.

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All financial instruments attract interest at rates linked directly to the prime bank overdraft rate. The effective interest rate used by the entity is the prime interest rate.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of entity debtors management policy.

All trade receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

### Interest Rate Sensitivity Analysis

As the entity has no significant interest risk exposure at financial year end, the effect of a 1% strengthening or weakening of the prime interest rate at reporting date is not considered material.

### 16.7 Liquidity risk

Sufficient cash is maintained to manage the entity's liquidity risk. Limitations are imposed by Treasury Regulations 32 to the Public Finance Management Act, 1999 (Act 1 of 1999) on borrowings, which limits the committed lines of credit available to entity.

### 16.8 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade debtors consist mainly of government departments of which surety vests in the National Treasury for any such debts owing. Other debtors comprise private sector trade debtors and staff debtors.

	2012	2011
	R	R
<b>Maximum credit and interest risk exposure in respect of financial instruments is as follows:</b>		
Trade and other receivables	7 694 061	10 407 353
Bank balances and cash	6 362 161	8 195 391
<b>Maximum Credit and Interest Risk Exposure</b>	<b>14 056 222</b>	<b>18 602 744</b>

### 17. Irregular expenditure

#### Reconciliation of Irregular Expenditure:

Opening balance	52 753 851	23 040 498
Irregular Expenditure current year	30 359 825	29 713 353
Condoned by accounting officer	(45 780 713)	-
<b>Closing balance</b>	<b>37 332 963</b>	<b>52 753 851</b>

Irregular expenditure relates to expenditure incurred through procurement from sole suppliers by means other than tender without accounting officer authorisation of this deviation. No disciplinary procedures or criminal proceedings are required and the entity did not incur any financial loss.

### 18. Fruitless and wasteful expenditure

Opening balance		331 708	318 638
Fruitless and wasteful expenditure – relating to current year	18.1	252 542	13 070
Less: Amounts condoned		-	-
Less: Amounts transferred to receivables for recovery		-	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>		<b>584 250</b>	<b>331 708</b>

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#### 18.1 Detail of fruitless and wasteful expenditure current year

Payment of cellphone costs for DoL employees seconded to SEF		12 805	9 846
Interest incurred on late payment of accounts		3 626	3 224
Interest and penalties paid to SARS relating to tax period 2000 - 2008		226 995	-
Payment of panelbeater for accident damage caused to private vehicle by a SEF trailer during delivery of goods in Newcastle		9 116	-
		<b>252 542</b>	<b>13 070</b>

### 19. Prior period error

#### 19.1 Lease Assets

In prior period the entity did not account for certain Lease Assets in terms of IAS 17 Leases. This relates to the incorrect capturing of lease assets and lease payments in the general ledger. This has resulted in the following restatements:

Lease Assets		137 488
Accumulated depreciation: Lease assets		(94 818)
Lease Liability		(48 531)
Retained earnings		5 861

	2012	2011
	R	R

**19.2 Cash Flow Statement**

As a result of prior period error 19.1 above and other errors identified certain figures in the cash flow statements were not calculated correctly in line with IAS 7 Statement of Cash Flows. This has resulted in the following increases and decreases:

Cash paid to suppliers and employees	(560 703)
Cash generated from operations	560 703
Proceeds on disposal of PPE	(9 661)

**19.3 Inventory**

In the current period the assumptions used and basis applied in calculating the net realizable value of inventory items regarded as redundant or obsolete was modified to take into account actual sales of redundant stock in the prior year and market conditions. The new basis and assumptions were applied to the prior year figures as well to ensure consistency. This has resulted in the following increases and decreases:

Retained earnings	551 041
Inventory writes downs to net realizable value	(551 041)

**20. Material losses through criminal conduct**

SEF was a victim of change in bank details fraud with a supplier. A legal case ensued and DoL Legal gave assistance to SEF. SEF had to make payment of R 130,374 to the supplier's attorney as amount could not be recovered from the fraudsters. No disciplinary steps were taken against SEF staff as they had acted in good faith. Additional procedures have been implemented for processing of change in supplier bank accounts.

Goods to the value of R 134 564 were stolen from the Rand Factory in October 2010. The internal investigation was completed and additional security measures have been put in place at the factory.

<b>130 374</b>	<b>134 564</b>
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	2012	2011
	R	R

### 21. Material uncertainty

The Statement of Changes in Equity on page 6 of the financial statements indicates that Sheltered Employment Factories incurred a net loss of R12 096 779 during the year ended 31 March 2012 and, as of that date, the entity has provided for doubtful debts amounting to R10 671 313. These conditions and issues over settlement of creditors indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern. The underlying causes of these indicators are due to a decrease in the additional funding provided by the Department of Labour and the entity not obtaining sufficient orders from government departments. To address this matter management is currently busy with the SEF Business Case which will give SEF financial stability and implement a turnaround strategy for the entity.

### 22. Contingent liabilities

No contingent liabilities are recorded for the period.

### 23. Capital commitments

No capital commitments are recorded for the period.

### 24. Events after reporting date

The SEF is not aware of any other material circumstances arising subsequent to the end of the financial year, not otherwise dealt with in the annual financial statements and the notes thereto, that would affect the operations or the results of operations significantly.

Key Output	Programme performance indicator	Target Performance 2011/12	Actual Performance 2011/12	Reasons for variance
<b>Strategic objective : Contribute to Employment creation</b>				
Special employment opportunities provided to eligible people with disabilities from all racial groups	<i>Approved policy and legal framework for SEF</i>	<b>Draft Report of the SEF 2nd Phase Business Case available</b>	<b>Partially achieved –</b> Service providers for the 2nd and final phase of the business case were evaluated in March 2012 and appointment will be done in April 2012. It is envisioned that the 2nd phase of the business case will be finalised by end of July 2012. The SEF legal status is incorporated in the Employment Services Bill currently at NEDLAC.	Delays in the procurement of the service provider by National Treasury Technical Assistance Unit (TAU). Protracted negotiations on the ES Bill at NEDLAC.
	<i>Number of people with disability/ex-combatants and Compensation Fund beneficiaries assisted with skills for employment in SEF.</i>	<b>Research and define (Position Paper) the SEF Centre of Excellence by end of March 2012.</b>	<b>Not achieved –</b> Position paper not finalised due to its dependence on the business case outcomes.	Insufficient capacity in SEF.
<b>Strategic objective : Manage factories to be viable and sustainable enterprises</b>				
Increased revenue inflows	<i>% increase in rand value of sales</i>	<b>15% increase in sales comparison to 2010/11 financial year</b>	<b>Not achieved –</b> 0.74% increase in sales compared to prior financial year 2011/12 sales – R 50 280 045 2010/11 sales – R 49 910 548	Limited working capital to procure sufficient materials to service large orders.
Increased production turnaround	<i>% reduction in production and delivery lead-time</i>	<b>Establish production schedule/ turnaround baseline/ Action Plan</b>	<b>Achieved</b> The Productivity SA piloted a productivity turnaround project at the Rand Factory and the project will be rolled out to other factories during 2012/13	None

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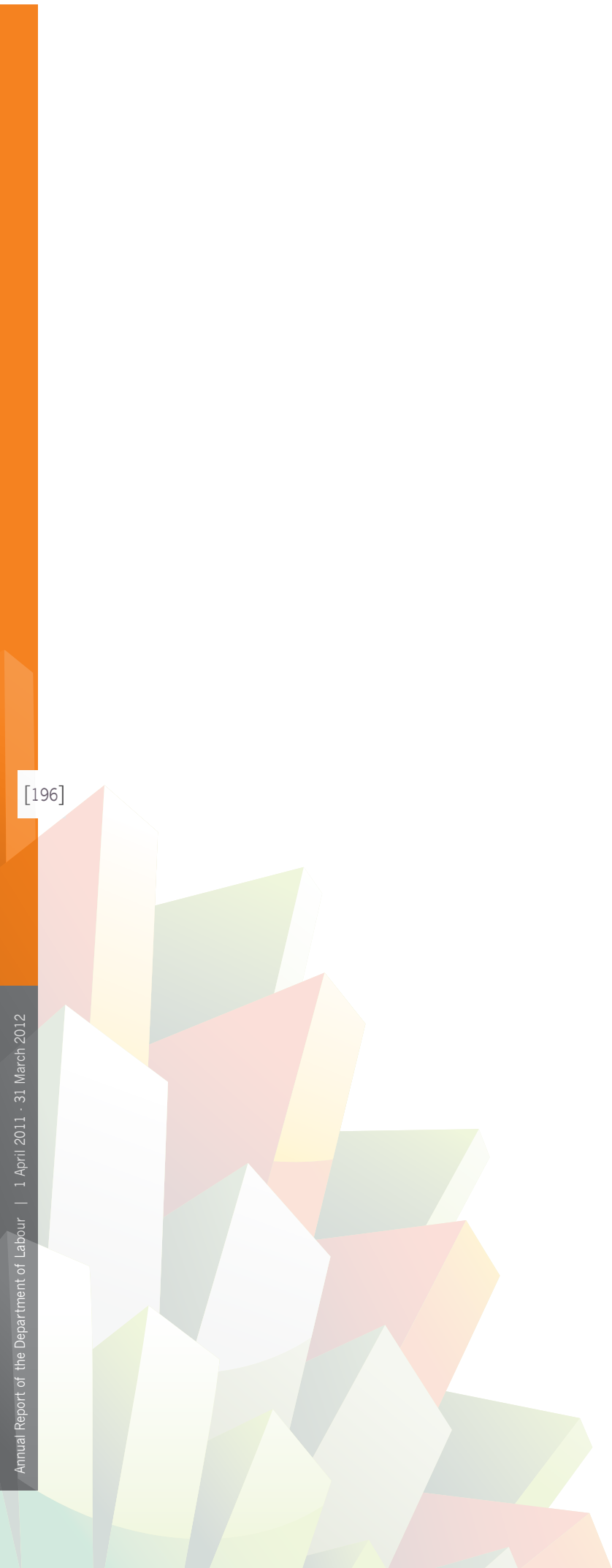
Key Output	Programme performance indicator	Target Performance 2011/12	Actual Performance 2011/12	Reasons for variance
<b>Strategic Objective: Strengthening the institutional capacity of the Sheltered Employment Factories</b>				
Risk Management Framework implemented	<i>Strategic risks monitored in line with the Risk Appetite Model/ Framework None</i>	<b>Strategic risk reviews done and operational risk assessments done for all factories by end of March 2012.</b>	Partially achieved – Strategic and operational risk assessments completed at 10 of the 12 SEF factories. Remaining two factories are to be assessed by end of June 2012.	Insufficient time allocated to complete all factories by end of March 2012
Supply Chain Management Framework Implemented	<i>Procurements done in line with the SCM Policy</i>	<b>Development, approval and implementation of the SCM Policy and Manual</b>	Partially achieved – New SEF Supply Chain Management Policy and Procedures were developed by end of March 2012 and will be submitted for approval during Q1 2012/13	Insufficient capacity within SEF
Performance Management Framework for factory workers implemented	<i>Implementation of the performance management system</i>	<b>90% of qualifying workers are assessed within a month.</b>	Achieved – 83 workers were all assessed (100%) within a month of their qualifying date.	None
Equity Plan implemented	<i>% of Youth and Women employed in SEF</i>	<b>20% of Youth employed in the SEF as at end of March 2012. 30% of Women employed in the SEF by end of March 2012</b>	Partially achieved – Equity profile as at 31 March 2012: 9.4% Youth employed 28.25% Woman employed	Limited new appointments made during 2011/12
Marketing Strategy Implemented	<i>Increase awareness of the SEF to the market</i>	<b>Review and approval of the Marketing Strategy</b>	Partially achieved – Open days, exhibitions at Rand and Pretoria Show and Parliament were conducted. Marketing strategy revised.	Insufficient resources to market SEF

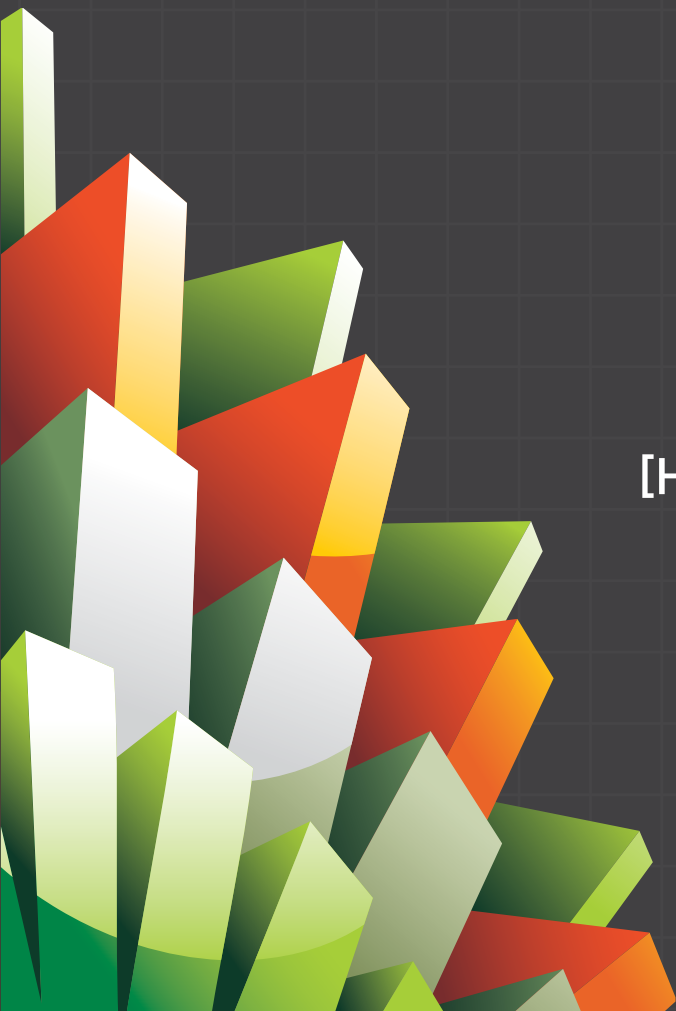
The SEF Performance Information was approved by the Director-General on 31 May 2012.



Mr. NPT Nhleko | Director-General of Labour

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[HUMAN RESOURCE MANAGEMENT]  
**SECTION**

# 05

200	Expenditure	214	Leave Utilisation
202	Employment and Vacancies	216	HIV and AIDS and Health Promotion Programme
203	Job Evaluation	219	Labour Relations
205	Employment Changes	221	Skills Development
207	Employment Equity	223	Injury on Duty
211	Performance Rewards	224	Utilisation of Consultants
213	Foreign Workers		

# [HUMAN RESOURCE MANAGEMENT]

The statistics and information published in the Human Resources Management part of the annual report are required in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2002 and have been prescribed by the Minister for the Public Service and Administration for all departments within the Public Service.

The tables were obtained from Department of Public Service and Administration (DPSA). Any input or clarification required should be directed to:

Henk Serfontein  
Department of Public Service and Administration  
Henk\_S@dpsa.gov.za

For a detailed description and explanation of the terminology used in this section of the report, please consult the publication from the DPSA entitled 'A guide to understanding the oversight report of departmental annual reports'. A copy of the guide is available from all departments or can be accessed from the DPSA website ([www.dpsa.gov.za](http://www.dpsa.gov.za)).

## Service delivery

All departments are required to develop a Service Delivery Improvement (SDI) Plan. The following tables reflect the components of the SDI plan as well as progress made in the implementation of the plans.

**Table 1.1 – Main services provided and standards**

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Employment Services	<i>Job Seekers and Employers</i>		To be reviewed and set	
Inspection and Enforcement Services				
Social Security Services				

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**Table 1.2 – Consultation arrangements with customers**

Type of arrangement	Actual Customers	Potential Customers	Actual achievements
Imbizo (Ministerial Roadshows with citizens)			
Consultative Forums (Provinces)			
Public Hearings			
The Departmental Bargaining Council			
Radio Interviews			
Electronic and Press Media			
Awareness Campaigns			

**Table 1.3 – Service delivery access strategy**

Access Strategy	Actual achievements
Labour Centres	
Mobile Labour Centres	
Visiting Points	
The DoL website	
Imbizo (Ministerial Roadshows)	
Thusong Services Centres	

**Table 1.4 – Service information tool**

Types of information tool	Actual achievements
Pamphlets	
Annual Reports	
Labour Laws	
Publications Tools	
Parliamentary Portfolio and Standing Committees	
Exhibitions	

**Table 1.5 – Complaints mechanism**

Complaints Mechanism	Actual achievements
The Presidential Hotline	
Ministerial complaints and enquiries	
Director-General complaints and enquiries	
Call Centres (UIF and CF)	
Virtual Services Line	
Client Services Officers (Labour Centres)	
Call-ins and e-mails	
Labour Centres	
Mobile Labour Centres	
Visiting Points	
The DoL website	
Imbizo (Ministerial Roadshows)	
Thusong Services Centres	

# [EXPENDITURE]

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (**Table 2.1**) and by salary bands (**Table 2.2**). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

**Table 2.1 – Personnel costs by programme, 2011/12**

Programme	Total Expenditure	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
	(R'000)	(R'000)	(R'000)	(R'000)	%	(R'000)
Administration	704 270	267 115	3 946	8 161	37.9	84
Inspection and Enforcement Services	375 749	275 972	1 796	383	73.4	87
Public Employment Services	332 194	154 514	1 184	0	46.5	49
Labour Policy and Industrial Relations	594 909	60 282	681	6 386	10.1	19
<b>Total</b>	<b>2 007 122</b>	<b>757 883</b>	<b>7 607</b>	<b>14 930</b>	<b>37.8</b>	<b>239</b>

**Table 2.2 – Personnel costs by salary bands, 2011/12**

Salary bands	Personnel Expenditure	% of total personnel cost	Average personnel cost per employee
	(R'000)	%	(R'000)
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	244 698	32.29	77
Highly skilled production (Levels 6-8)	376 870	49.73	119
Highly skilled supervision (Levels 9-12)	122 787	16.20	39
Senior management (Levels 13-16)	13 528	1.78	4
<b>Total</b>	<b>757 883</b>	<b>100</b>	<b>239</b>

Tables (**Table 2.3**) provide a summary per programme and (**Table 2.4**) salary bands, of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.



**Table 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2011/12**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount	Salaries as a % of personnel cost	Amount	Overtime as a % of personnel cost	Amount	HOA as a % of personnel cost	Amount	Medical Assistance as a % of personnel cost
	(R'000)	%	(R'000)	%	(R'000)	%	(R'000)	%
Program 1: Administration	185 837	24.52	2 735	0.36	8 597	1.13	15 503	2.05
Program 2: Inspection and Enforcement Services	196 702	25.95	102	0.01	10 656	1.41	19 927	2.63
Program 3: Public Employment Services	112 902	14.90	88	0.01	4 299	0.57	8 286	1.09
Program 4: Labour Policy and Industrial Relations	43 046	5.68	126	0.02	1 405	0.19	2 452	0.32
<b>Total</b>	<b>538 487</b>	<b>71.05</b>	<b>3 051</b>	<b>0.40</b>	<b>24 957</b>	<b>3.29</b>	<b>46 168</b>	<b>6.09</b>

**Table 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2011/12**

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount	Salaries as a % of personnel cost	Amount	Overtime as a % of personnel cost	Amount	HOA as a % of personnel cost	Amount	Medical Assistance as a % of personnel cost
	(R'000)	%	(R'000)	%	(R'000)	%	(R'000)	%
Lower skilled (Levels 1-2)	0	0.00	0	0.00	0	0.00	0	0.00
Skilled (Levels 3-5)	173 861	22.94	985	0.13	8 058	1.06	14 906	1.97
Highly skilled production (Levels 6-8)	267 772	35.33	1 517	0.20	12 410	1.64	22 958	3.03
Highly skilled supervision (Levels 9-12)	87 242	11.51	494	0.07	4 043	0.53	7 480	0.99
Senior management (Levels 13-16)	9 612	1.27	55	0.01	446	0.06	824	0.11
<b>Total</b>	<b>538 487</b>	<b>71.05</b>	<b>3 051</b>	<b>0.40</b>	<b>24 957</b>	<b>3.29</b>	<b>46 168</b>	<b>6.09</b>

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# [EMPLOYMENT AND VACANCIES]

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: programme (**Table 3.1**), salary band (**Table 3.2**) and critical occupations (**Table 3.3**). Departments have identified critical occupations that need to be monitored. **Table 3.3** provides establishment and vacancy information for the key critical occupations of the department.

The vacancy rate reflects the percentage of posts that are not filled.

**TABLE 3.1 – Employment and vacancies by programme, 31 March 2012**

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Administration (Corporate Services)	391	352	10.1	0
Chief Operation Officer	5 791	5 400	6.8	95
Public Employment Services	81	42	48.2	1
Labour Policy and Labour Market Programmes	123	111	9.8	11
Inspection and Enforcement Services	59	48	18.6	5
Social Insurance	UIF: 455 CC : 711	UIF: 421 CC : 683	7.5 3.9	UIF: 25 CC : 418
<b>Total</b>	<b>*7 611</b>	<b>7 057</b>	<b>7.3</b>	<b>555</b>

**TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2012**

Salary band	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	3 100	2 897	6.6	458
Highly skilled production (Levels 6-8)	3 580	3 318	7.3	81
Highly skilled supervision (Levels 9-12)	834	760	8.9	11
Senior management (Levels 13-16)	97	82	15.5	5
<b>Total</b>	<b>*7 611</b>	<b>7 057</b>	<b>7.3</b>	<b>555</b>

**TABLE 3.3 – Employment and vacancies by critical occupation, 31 March 2012**

Critical occupations	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Employment Service Practitioners	295	262	11.2	0
Inspectors	1 356	1 251	7.7	0
<b>Total</b>	<b>1 651</b>	<b>1 513</b>	<b>8.4</b>	<b>0</b>

## [JOB EVALUATION]

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002.

The following table (Table 4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

**TABLE 4.1 – Job Evaluation, 1 April 2011 to 31 March 2012**

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	0	0	0	0	0	0	0
Skilled (Levels 3-5)	3 100	99	0	0	0	0	0
Highly skilled production (Levels 6-8)	3 580	246	0.1	0	0	26	0.7
Highly skilled supervision (Levels 9-12)	834	188	6.7	0	0	2	0.2
Senior Management Service Band A	62	59	32.3	0	0	0	0
Senior Management Service Band B	25	25	20.0	0	0	0	0
Senior Management Service Band C	9	8	11.1	0	0	0	0
Senior Management Service Band D	1	1	0	0	0	0	0
<b>Total</b>	<b>7 611</b>	<b>626</b>	<b>1.1</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>0.4</b>

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**TABLE 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2011 to 31 March 2012**

Beneficiaries	African	Asian	Coloured	White	Total
Female	2	0	0	0	2
Male	1	0	0	0	1
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Employees with a disability</b>					<b>0</b>

**Table 4.3** summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

**TABLE 4.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Senior Management	1	13	14	Retention of salary from previous Department
Total number of employees whose salaries exceeded the level determined by job evaluation in 2011/12				1
Percentage of total employment				0.01

**Table 4.4** summarises the beneficiaries of the above in terms of race, gender, and disability.

**TABLE 4.4 – Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	1	0	0	0	1
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Employees with a disability</b>					<b>0</b>

[If there were no cases where the remuneration bands exceeded the grade determined by job evaluation, use the following table as TABLE 4.3]

Total Number of Employees whose salaries exceeded the grades determined by job evaluation in 2010/ 11	None
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## [EMPLOYMENT CHANGES]

This section provides information on changes in employment over the financial year.

Turnover rates provide an indication of trends in the employment profile of the Department. The following tables provide a summary of turnover rates by salary band (**Table 5.1**) and by critical occupations (**Table 5.2**). (These “critical occupations” should be the same as those listed in **Table 3.3**).

**TABLE 5.1 – Annual turnover rates by salary band for the period 1 April 2011 to 31 March 2012**

Salary band	Number of employees per band as on 1 April 2011	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	2 843	191	81	2.9
Highly skilled production (Levels 6-8)	3 289	99	166	5.1
Highly skilled supervision (Levels 9-12)	749	22	54	7.2
Senior Management Service Band A	52	3	2	3.9
Senior Management Service Band B	19	0	1	5.3
Senior Management Service Band C	7	1	0	0
Senior Management Service Band D	0	0	0	0
<b>Total</b>	<b>6959</b>	<b>316</b>	<b>304</b>	<b>4.4</b>

**TABLE 5.2 – Annual turnover rates by critical occupation for the period 1 April 2011 to 31 March 2012**

Occupation:	Number of employees per occupation as on 1 April 2011	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Employment Service Practitioners	259	20	27	10.4
Inspectors	1 234	37	44	3.6
<b>Total</b>	<b>1 493</b>	<b>57</b>	<b>71</b>	<b>0.1</b>

Table 5.3 identifies the major reasons why staff left the department.

**Table 5.3 – Reasons why staff are leaving the department**

Termination Type	Number	% of total
Death	33	10.9
Resignation	109	35.9
Expiry of contract	0	0
Dismissal – operational changes	0	0
Dismissal – misconduct	18	5.9
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	41	13.5
Transfers to other Public Service Departments	103	33.9
Other	0	0
<b>Total</b>	<b>304</b>	<b>100</b>
<b>Total number of employees who left as a % of the total employment</b>	<b>7 611</b>	<b>4.0</b>

**Table 5.4 – Promotions by critical occupation**

Occupation	Employees as at 1 April 2011	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
Employment Service Practitioners	260	9	3.5	198	76.2
Inspectors	1 233	57	4.6	950	77.1
<b>Total</b>	<b>1 493</b>	<b>66</b>	<b>2.5</b>	<b>1 148</b>	<b>43.5</b>

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**Table 5.5 – Promotions by salary band**

Salary band	Employees 1 April 2011	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	0	0	0	0	0
Skilled (Levels 3-5)	2 843	19	0.7	2 317	78.0
Highly skilled production (Levels 6-8)	3 289	167	5.1	2 263	71.9
Highly skilled supervision (Levels 9-12)	749	40	5.3	648	86.3
Senior management (Levels 13-16)	78	2	2.6	54	69.2
<b>Total</b>	<b>6 959</b>	<b>228</b>	<b>3.3</b>	<b>5 282</b>	<b>75.9</b>

# [EMPLOYMENT EQUITY]

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

## 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2012

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	39	5	3	4	27	1	0	3	82
Professionals	78	6	5	9	65	3	1	21	188
Technicians and associate professionals	962	104	49	92	1 021	132	45	299	2 704
Clerks	1 371	172	39	64	1 724	243	42	201	3 856
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	84	12	1	4	111	14	0	1	227
<b>Total</b>	<b>2 534</b>	<b>299</b>	<b>97</b>	<b>173</b>	<b>2 948</b>	<b>393</b>	<b>88</b>	<b>525</b>	<b>7 057</b>
<b>Employees with disabilities</b>	<b>74</b>	<b>8</b>	<b>5</b>	<b>13</b>	<b>49</b>	<b>8</b>	<b>4</b>	<b>23</b>	<b>184</b>

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**Table 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	5	1	0	0	3	0	0	0	9
Senior Management	34	4	3	4	24	1	0	3	73
Professionally qualified and experienced specialists and mid-management	294	26	20	29	291	27	6	65	758
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	746	84	34	72	795	108	40	255	2 134
Semi-skilled and discretionary decision making	1 455	184	40	68	1835	257	42	202	4 083
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2 534</b>	<b>299</b>	<b>97</b>	<b>173</b>	<b>2 948</b>	<b>393</b>	<b>88</b>	<b>525</b>	<b>7 057</b>

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**Table 6.3 – Recruitment for the period 1 April 2011 to 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	1
Senior Management	1	0	0	0	2	0	0	0	3
Professionally qualified and experienced specialists and mid-management	13	0	0	0	8	0	0	1	22
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	34	2	0	2	21	0	1	1	61
Semi-skilled and discretionary decision making	122	10	5	6	49	7	1	13	213
Unskilled and defined decision making	8	0	0	0	8	0	0	0	16
<b>Total</b>	<b>178</b>	<b>12</b>	<b>5</b>	<b>8</b>	<b>89</b>	<b>7</b>	<b>2</b>	<b>15</b>	<b>316</b>
<b>Employees with disabilities</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>7</b>



**Table 6.4 – Promotions for the period 1 April 2011 to 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	2	0	0	0	2
Professionally qualified and experienced specialists and mid-management	25	0	0	0	13	0	0	2	40
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	63	1	1	1	50	5	0	0	121
Semi-skilled and discretionary decision making	33	4	0	0	26	1	0	1	65
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>121</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>91</b>	<b>6</b>	<b>0</b>	<b>3</b>	<b>228</b>
Employees with disabilities	1	0	0	0	2	0	0	1	4

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**Table 6.5 – Terminations for the period 1 April 2011 to 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	1	0	0	0	0	1
Senior Management	1	0	0	0	1	0	0	0	2
Professionally qualified and experienced specialists and mid-management	25	2	1	4	17	2	1	2	54
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	50	8	2	0	41	13	0	9	123
Semi-skilled and discretionary decision making	55	8	1	0	28	5	3	8	108
Unskilled and defined decision making	12	0	0	0	1	1	0	2	16
<b>Total</b>	<b>143</b>	<b>18</b>	<b>4</b>	<b>5</b>	<b>88</b>	<b>21</b>	<b>4</b>	<b>21</b>	<b>304</b>
Employees with disabilities	3	0	0	3	3	0	0	1	10

**Table 6.6 – Disciplinary action for the period 1 April 2011 to 31 March 2012**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	110	12	9	7	71	11	0	10	230

**Table 6.7 – Skills development for the period 1 April 2011 to 31 March 2012**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	26	3	2	1	25	1	0	0	58
Professionals	257	16	18	20	265	17	5	38	636
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	1 928	131	44	95	2 370	183	54	242	5 047
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	87	5	1	0	89	2	0	2	186
<b>Total</b>	<b>2 298</b>	<b>155</b>	<b>65</b>	<b>116</b>	<b>2 749</b>	<b>203</b>	<b>59</b>	<b>282</b>	<b>5 927</b>
Employees with disabilities	22	1	0	2	17	2	4	5	53

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# [PERFORMANCE REWARDS]

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary bands (Table 7.2) and critical occupations (Table 7.3).

**Table 7.1 – Performance Rewards by race, gender and disability, 1 April 2011 to 31 March 2012 for the performance cycle 2010/11**

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee R
<b>African</b>					
Male	406	2 670	15.2	5 736	14 129
Female	619	3 219	19.2	8 081	13 055
<b>Asian</b>					
Male	25	93	26.9	457	18 287
Female	31	87	35.6	482	15 544
<b>Coloured</b>					
Male	47	293	16.0	620	13 200
Female	91	395	23.0	1 212	13 320
<b>White</b>					
Male	35	165	21.2	661	18 877
Female	175	507	34.5	2 936	16 775
<b>Employees with a disability</b>	38	184	20.7	565	14 867
<b>Total</b>	<b>1 467</b>	<b>7 613</b>	<b>19.3</b>	<b>20 750</b>	<b>14 145</b>

**TABLE 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2011 to 31 March 2012 for the performance cycle 2010/11**

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	1	0	0	6	6 000	0.0
Skilled (Levels 3-5)	493	2 894	17	4 373	8 870	0.6
Highly skilled production (Levels 6-8)	756	3 321	22.8	10 819	14 311	1.4
Highly skilled supervision (Levels 9-12)	199	756	26.3	5 357	26 920	0.7
Periodical Remuneration	0	49	0	0	0	0
<b>Total</b>	<b>1 449</b>	<b>7 020</b>	<b>20.6</b>	<b>20 555</b>	<b>14 185</b>	<b>1.9</b>

**TABLE 7.3 – Performance Rewards by critical occupations, 1 April 2011 to 31 March 2012**

Critical Occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Employment Service Practitioners	3	10	37.5	76	25 333
Inspectors	184	1 249	14.7	2 510	13 641
<b>Total</b>	<b>187</b>	<b>1 259</b>	<b>15.1</b>	<b>2 586</b>	<b>13 419</b>

**TABLE 7.4 – Performance related rewards (cash bonus), by salary band, for Senior Management Service**

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	1	57	1.8	24	24 000	0.1
Band B	0	21	0	0	0	0
Band C	0	8	0	0	0	0
Band D	0	3	0	0	0	0
<b>Total</b>	<b>1</b>	<b>89</b>	<b>1.1</b>	<b>24</b>	<b>24 000</b>	<b>0.1</b>

# [FOREIGN WORKERS]

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation

**TABLE 8.1 – Foreign Workers, 1 April 2010 to 31 March 2011, by salary band**

Salary Band	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	1	100	1	100	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>

**TABLE 8.2 – Foreign Worker, 1 April 2011 to 31 March 2012, by major occupation**

Major Occupation	1 April 2010		31 March 2011		Change	
	Number	% of total	Number	% of total	Number	% change
Administrative office workers	1	100	1	100	0	0
Elementary occupations	0	0	0	0	0	0
Professionals and managers	0	0	0	0	0	0
Rank: committee member	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>

# [LEAVE UTILISATION]

## [for the period 1 January 2011 to 31 December 2012]

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2). In both cases, the estimated cost of the leave is also provided.

**TABLE 9.1 – Sick leave, 1 January 2011 to 31 December 2012**

Salary Band	Total days	% days with medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	9	100	1	0	9	0
Skilled (Levels 3-5)	23 102	81	2 535	40.6	9	8 524
Highly skilled production (Levels 6-8)	25 338	79	2 980	47.7	9	14 724
Highly skilled supervision (Levels 9-12)	4 861	79.3	669	10.7	7	5 686
Senior management (Levels 13-16)	375	85.1	61	1.0	6	1 076
<b>Total</b>	<b>53 685</b>	<b>80.0</b>	<b>6 246</b>	<b>100</b>	<b>9</b>	<b>30 010</b>

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**TABLE 9.2 – Disability leave (temporary and permanent), 1 January 2011 to 31 December 2011**

Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	3 041	100	81	42.0	38	1 132
Highly skilled production (Levels 6-8)	3 374	99.7	93	48.2	36	2 155
Highly skilled supervision (Levels 9-12)	483	100	19	9.8	25	538
Senior management (Levels 13-16)	0	0	0	0	0	0
<b>Total</b>	<b>6 898</b>	<b>99.8</b>	<b>193</b>	<b>100</b>	<b>36</b>	<b>3 825</b>

Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**TABLE 9.3 – Annual Leave, 1 January 2011 to 31 December 2011**

Salary Band	Total days taken	Average per employee
Lower skilled (Levels 1-2)	17	17
Skilled Levels 3-5)	57 528.76	20
Highly skilled production (Levels 6-8)	75 553.96	22
Highly skilled supervision(Levels 9-12)	17 728.16	22
Senior management (Levels 13-16)	1 705	21
<b>Total</b>	<b>152 532.88</b>	<b>21</b>

**TABLE 9.4 – Capped leave, 1 January 2011 to 31 December 2011**

Salary Band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2011
Lower skilled (Levels 1-2)	0	0	0
Skilled Levels 3-5)	126	3	24
Highly skilled production (Levels 6-8)	661	4	36
Highly skilled supervision(Levels 9-12)	190	6	41
Senior management (Levels 13-16)	13	7	39
<b>Total</b>	<b>990</b>	<b>4</b>	<b>34</b>

**TABLE 9.5 – Leave pay-outs for the period 1 April 2011 to 31 March 2011**

The following table summarises payments made to employees as a result of leave that was not taken.

Reason	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave pay-out for 2010/11 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave pay-outs on termination of service for 2010/11	2 052	228	9 000
Current leave pay-out on termination of service for 2010/11	514	139	3 698
<b>Total</b>	<b>2 566</b>	<b>367</b>	<b>6 992</b>
Senior management (Levels 13-16)	13	7	39
<b>Total</b>	<b>990</b>	<b>4</b>	<b>34</b>

# [HIV and AIDS] [and HEALTH PROMOTION PROGRAMMES]

**TABLE 10.1 – Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
Yes	<ul style="list-style-type: none"> <li>• By implementing the HIV and AIDS Technical Guidelines which is meant for external clients as well.</li> <li>• The Departmental HIV and AIDS, STIs and TB Management policy is being reviewed to effectively respond to the needs of all employees in the Department.</li> <li>• A plan which will include regular roll-out of HIV Counselling and Testing is being developed to be implemented in the 2012/2013 financial year.</li> </ul>

**TABLE 10.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)**

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	✓		Mr Risimati F Chauke, Chief Director: Human Resources Management
2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	✓		<p>The EHWP structure currently makes provision for the following 4 staff members who coordinates the programme nationally:</p> <ul style="list-style-type: none"> <li>• 1 Deputy Director;</li> <li>• 2 Assistant Directors and</li> <li>• 1 Senior Practitioner</li> </ul> <p>The EHWP budget is at ± R1m.</p>
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	✓		<ul style="list-style-type: none"> <li>• Creating awareness by writing articles on health and wellness issues</li> <li>• Holding wellness days</li> <li>• Commemorating health and Wellness events</li> <li>• Managing HIV and AIDS through VCT programmes nationally.</li> </ul>

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Question	Yes	No	Details, if yes
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	✓		<p>National Employment Equity Consultative Forum which consists of the representatives from all the provincial offices of the Department.</p> <p>CD: HRM                      Mr RF Chauke  D: HRM                         Mr BH Gama</p> <p><b>Designated groups:</b></p> <p>Disabled                      Ms LS Nawana  Women                         Ms KM Padi</p> <p><b>Non-designated group:</b></p> <p>White                         Mr N Du Preez</p> <p><b>Representatives from the Chief Directorates:</b></p> <p>Finance                        Ms BM Ramono  Communication                Mr GGR Khaile  Employment Equity            Mr ME Lefika</p> <p><b>Representatives from the Directorates:</b></p> <p>SCM and OA                 Mr VM Pienaar  T and D                        Ms D Chiloane  EHWP                         Mr RB Mkansi                                        Ms LJ Noxeke  GDY                             Ms H Letsoalo</p> <p><b>Chairperson/Delegate of each LEECF:</b></p> <p>Head Office                    Mr M Sithathu  Eastern Cape                    Mr L Matiwane  Free State                      Mr N Nomlala  Gauteng North                 Mr E Maboja  Gauteng South                 Ms NA Mgqibi  Kwazulu-Natal                 Mr S Singila  Limpopo                         Mr GM Mabunda  Mpumalanga                    Ms GK Malatsi  Northern Cape                 Ms EL Sekgweleo  North West                     Mr M Sikhakhane  Western Cape                 Ms N Bassie  CF                                Ms TA Molloy  UIF                                Mr PTK Gaza</p> <p><b>Representatives of Unions:</b></p> <p>NEHAWU/PAWUSA             Mr TJ Mokhethi  PSA                                Mr A Dlamini  POPCRU/SASAWU              Mr P Cweba</p> <p><b>Secretariat:</b></p> <p>Ms L Rudah  Ms BB Motlhaoleng  Ms IS Groenewald  Ms G Maritz  Ms VY Mokoena</p>

Question	Yes	No	Details, if yes
5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	✓		Under review are the following policies: <ul style="list-style-type: none"> <li>• HIV and AIDS, STI's and TB Management policy</li> <li>• Health and Productivity Management policy</li> <li>• Wellness Management policy</li> <li>• The Department is also in a process of drafting the Employee Health and Wellness Strategic Framework which will govern the implementation of the Programme in line with the Public Service Employee Health and Wellness Strategic Framework, 2009.</li> </ul>
6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	✓		Through awareness programmes. The HR Policies of the Department as well as the Public Service Acts and regulations.
7. Does the Department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	✓		The Employee Health and Wellness Annual Plan have an indicator of ensuring that 10% of staff complement participates in HIV Counselling and Testing. The programme is implemented through raising awareness on VCT and also conducting VCT onsite through the use of GEMS.
8. Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	✓		Monitoring and Evaluation is done in the Local and National Employment Equity Consultative Forums, and Programme Management Committee. Monitoring is also done through weekly and quarterly reports which are submitted to the LEECF, PMC and NEECF.

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## [LABOUR RELATIONS]

The following collective agreements were entered into with trade unions within the Department.

**TABLE 11.1 – Collective agreements, 1 April 2011 to 31 March 2012**

Subject Matter	Date
Nil Report	

If there were no agreements, then use the following table

<b>Total collective agreements</b>	<b>None</b>
------------------------------------	-------------

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**TABLE 11.2 – Misconduct and disciplinary hearings finalised, 1 April 2011 to 31 March 2012**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	2	0.9
Verbal warning	5	2.2
Written warning	77	33.9
Final written warning	80	35.2
Suspended without pay	16	7.1
Fine	1	0.4
Demotion	0	0
Dismissal	21	9.3
Not guilty	5	2.2
Case withdrawn	12	5.3
Other (i.e. referring back, progressive discipline)	8	3.5
<b>Total</b>	<b>227</b>	<b>100</b>

If there were no disciplinary hearings, then use the following table

<b>Disciplinary hearings – 2011/12</b>	<b>-</b>
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**TABLE 11.3 – Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Absenteeism	54	21.4
Abuse of power	8	3.2
Alcohol abuse	4	1.6
Assault	1	0.4
Bribery	9	3.6
Dereliction of duty	8	3.2
E-mail abuse	29	11.5
Failure to declare IES monies	4	1.6
Fraud	42	16.7
Fruitless expenditure	5	2.0
Insubordination	14	5.5
Misrepresentation	23	9.1
Negligence	35	13.9
Sexual harassment	2	0.8
State vehicle misuse	14	5.5
<b>Total</b>	<b>252</b>	<b>100</b>

**TABLE 11.4 – Grievances lodged for the period 1 April 2011 to 31 March 2012**

	Number	% of total
Number of grievances resolved	49	33.3
Number of grievances not resolved	98	66.7
<b>Total number of grievances lodged</b>	<b>147</b>	<b>100</b>

**TABLE 11.5 – Disputes lodged with Councils for the period 1 April 2011 to 31 March 2012**

	Number	% of total
Number of disputes upheld	4	6.2
Number of disputes dismissed	24	37.5
	<b>36</b>	<b>56.3</b>
<b>Total number of disputes lodged</b>	<b>64</b>	<b>100</b>

**TABLE 11.6 – Strike actions for the period 1 April 2011 to 31 March 2012**

Total number of person working days lost	6
Total cost (R'000) of working days lost	R 1 596.87
<b>Amount (R'000) recovered as a result of no work no pay</b>	<b>0</b>

**TABLE 11.7 – Precautionary suspensions for the period 1 April 2011 to 31 March 2012**

Number of people suspended	
Number of people whose suspension exceeded 30 days	11
Average number of days suspended	60
<b>Cost (R'000) of suspensions</b>	<b>R 464 463.00</b>

# [SKILLS DEVELOPMENT]

This section highlights the efforts of the department with regard to skills development.

## 12.1 – Training needs identified 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	27	0	26	0	26
	Male	51	0	50	0	50
Professionals	Female	387	0	387	0	387
	Male	360	0	360	0	360
Technicians and associate professionals	Female	0	0	0	0	0
	Male	0	0	0	0	0
Clerks	Female	3 396	0	3 396	0	3 396
	Male	2 500	0	2 500	0	2 500
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	127	0	127	0	127
	Male	111	0	111	0	111
Sub Total	Female	3 937	0	3 936	0	3 936
	Male	3 022	0	3 021	0	3 021
<b>Total</b>		<b>6 959</b>	<b>0</b>	<b>6 957</b>	<b>0</b>	<b>6 957</b>

12.2 – Training provided 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training provided within the reporting period			
			Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	27	0	26	0	26
	Male	51	0	32	0	32
Professionals	Female	387	0	325	0	325
	Male	360	0	311	0	311
Technicians and associate professionals	Female	0	0	0	0	0
	Male	0	0	0	0	0
Clerks	Female	3 396	0	2 849	0	2 849
	Male	2 500	0	2 198	0	2 198
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	127	0	93	0	93
	Male	111	0	93	0	93
Sub Total	Female	3 937	0	3 293	0	3 293
	Male	3 022	0	2 634	0	2 634
<b>Total</b>		<b>6 959</b>	<b>0</b>	<b>5 927</b>	<b>0</b>	<b>5 927</b>

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# [INJURY ON DUTY]

The following tables provide basic information on injury on duty.

**TABLE 13.1 – Injury on duty, 1 April 2011 to 31 March 2012**

Nature of injury on duty	Number	% of total
Required basic medical attention only	34	97.1
Temporary Total Disablement	1	2.9
Permanent Disablement	0	0
Fatal	0	0
<b>Total</b>	<b>35</b>	<b>100</b>

# [UTILISATION OF CONSULTANTS]

**Table 14.1 – Report on consultant appointments using appropriated funds**

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
IT AUDIT: Sithole ABand T Business Innovation group PTY LTD	5	1 080 days	R 2 028 897.36
Study on minimum wages and conditions of employment in taxi sector	4	180 days	R 398 971.60
Study on noise induced hearing loss in the iron and steel industries	12	360 days	R 256 272.00
De-Scoping of PPP contract by KPMG	7	14 days	R 524 236.98
ICT Services PHASE 1 by ACCENTURE	5	540 days	R 2 736 000.00
Evaluation of the NSDS	14	600 days	R 6 800 000.00
OHS study	6	630 days	R 969 000.00
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration:Work days</b>	<b>Total contract value in Rand</b>
<b>7</b>	<b>53</b>	<b>3 404</b>	<b>R13 713 377.94</b>

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**Table 14.2 – Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
OHS study	100%	100%	5
Evaluation of the NSDS	Semi-Government entity	Semi-Government entity	14
Noise induced Hearing Loss	Semi-Government entity	Semi-Government entity	12
Taxi Sectoral determination	90%	90%	3



**Table 14.3 – Report on consultant appointments using Donor funds**

Project Title	Total Number of consultants that worked on the project	Duration: Work days	Donor and Contract value in Rand
None	N/A	N/A	N/A
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: Work days</b>	<b>Total contract value in Rand</b>
N/A	N/A	N/A	N/A

**Table 14.4 – Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
None	N/A	N/A	N/A

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