

ANNUAL REPORT OF THE
DEPARTMENT OF LABOUR

1 APRIL 2005 TO 31 MARCH 2006



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA



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*Minister MMS Mdladlana, MP
Minister of Labour*

Minister of Labour

Department of Labour
Laboria House
Pretoria
15 August 2006

It is my pleasure and privilege to submit to you the Annual Report of the
Department of Labour for the period 1 April 2005 to 31 March 2006,
in terms of the Public Finance Management Act, 1999.



Dr Vanguard Mkosana
Director-General of Labour
Pretoria

Dr VM Mkosana

DEPARTMENT OF LABOUR

ORGANISATIONAL STRUCTURE



Minister of Labour

M M S Mdladlana, MP

Statutory Bodies

- Advisory Council for Occupational Health and Safety (ACOHS)
- 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)
- National Productivity Institute (NPI)
- National Skills Authority (NSA)
- Umsobomvu Youth Fund (UYF)
- Unemployment Insurance Board



Director-General

Dr V M Mkosana



Deputy Director-General
L Kettledas

Labour Policy and
Labour Market Programmes



Acting Deputy Director-General
S Morotoba

Employment and Skills Development
Services and Human Resources
Development



Deputy Director-General
M Xaba

Corporate Services



Deputy Director-General
S Mkhonto

Service Delivery

CONTENT

	Page
Section 1: General Information	1
Introduction	1
Ministry of Labour	3
Mission Statement	3
Legislative Mandate	4
Section 2: Programme Performance	10
Voted Funds	10
Revenue	10
Expenditure	10
Transfer Payments	11
Aim of the Vote	11
Programme purpose and measurable objectives	11
Strategic overview and key policy developments	12
Programme 1: Administration	16
Programme 2: Service Delivery	20
Programme 3: Employment and Skills Development Services and Human Resources Development	23
Programme 4: Labour Policy and Labour Market Programmes	31
Programme 5: Social Insurance	37
National Skills Fund	38
Sheltered Employment	43
Section 3: Report of the Audit Committee	44
Section 4: Annual Financial Statements	46
Report of the Auditor-General	47
Report of the Accounting Officer	51
Accounting Policies	64
Appropriation Statement	73
Notes to the Appropriation Statement	80
Statement of Financial Performance	83
Statement of Financial Position	84
Statement of Changes in Net Assets	85
Cash Flow Statement	86
Notes to the Annual Financial Statements	87
Disclosure Notes to the Annual Financial Statements	94
Annexures	106
Sheltered Employment Factories	117
Report of the Auditor-General	118
Statement of Responsibility	123
Report of the Accounting Officer	124
Statement of Financial Performance	125
Statement of Financial Position	126
Statement of Changes in Net Assets	127

Cash Flow Statement	128
Notes to the Financial Statements	129
Detailed Statement of Financial Performance	135
National Skills Fund	136
Report of the Auditor-General	137
Report of the Accounting Officer	140
Statement of Financial Performance	145
Statement of Financial Position	146
Cash Flow Statement	147
Statement of Changes in Net Assets	148
Accounting Policies	149
Notes to the Annual Financial Statements	154
Disclosure Notes to the Annual Financial Statements	157
Annexures	159
Section 5: Human Resources Management	162

SECTION 1

GENERAL INFORMATION

1. Introduction by Dr VM Mkosana, Director-General of Labour

This Annual Report sets out the details of what was done by the Department during the 2005/06 financial year. The 2005/06 financial year covered in this annual report saw important milestones in labour market policy development but acknowledges that there are still major challenges facing us in our attempt to reduce unemployment, poverty and inequality in our labour market. The reduction of poverty, unemployment and inequalities in the labour market will in the short to long-term assist us to achieve improved economic efficiency and productivity.

This financial year saw the reawakening of the labour market flexibility/rigidity debate and we have addressed these debates with a sharp understanding that there is no need for deregulation and that the fundamentals of our legislative framework are sound. We indeed acknowledge that the weaknesses and challenges are more operational than policy oriented. We need to strengthen the implementation, enforcement and monitoring mechanisms of our legislation.

The Ministerial Programme of Action, 2004-2009 complemented by the Department's Strategic Plan, 2006-2009 came into full swing during this financial year and we have seen remarkable progress in the implementation. Of note, we saw the implementation of the second phase of the National Skills Development Strategy (NSDS), 2005-2010 to consolidate on the achievements of the first phase. The second phase also seeks to improve on areas of weaknesses of the first phase including the identification of scarce and critical skills in the labour market. The work in the NSDS 2005-2010 will greatly complement the other Government interventions such as the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA).

We have continued to strengthen and consolidate the turnaround strategy of the Unemployment Insurance Fund (UIF) and we are reaping the fruits. The UIF is now a stable organisation with a very sound surplus. Simultaneously, we have started a process that the Compensation Fund (CF) moves from its present state to one characterised by effective and efficient management, and stability.

Whilst we have made commendable impact in a number of areas of our interventions, there are still challenges that we need to address. We need to strengthen the implementation, enforcement and monitoring mechanisms of our legislation. These areas will receive special and prioritised attention in the next financial year.

Our achievements have been made possible by the undivided commitment and sacrifices of our staff members guided by the capable leadership of the Honourable Minister Membathisi Mdladlana, MP. Through his leadership, we have managed to focus our energies in pursuance of the objectives contained in the Ministerial Programme of Action.

GENERAL INFORMATION

Lastly, we thank the Portfolio and Select Committees on Labour for their unwavering support and guidance. Their oversight role has also ensured that we focus our attention on the strategic objectives of the Department and Government.

A handwritten signature in black ink, appearing to read 'Vanguard Mkosana', is written over a faint, light-colored rectangular stamp or watermark.

Dr Vanguard Mkosana
Director-General of Labour

GENERAL INFORMATION

2. Ministry of Labour

2.1 Institutions reporting to the Executive Authority

- Advisory Council for Occupational Health and Safety (ACOHS)
- 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)
- National Productivity Institute (NPI)
- National Skills Authority (NSA)
- Sectoral Education and Training Authorities (SETAs)
- Unemployment Insurance Fund (UIF)
- Umsobomvu Youth Fund (UYF).

2.2 Bills submitted to the legislature during the financial year

None were submitted

2.3 Ministerial visits abroad

Place	Date	Purpose
People's Republic of China	20 - 26 May 2005	Bilateral discussions by the two Ministers of Labour on the implementation of the signed memorandum of understanding
Geneva	31 May - 16 June 2005	International Labour Conference
Cuba	13 - 16 September 2005	Bilateral discussions for the development of a programme with a view to implement the signed memorandum of understanding
Zimbabwe	13 - 17 October 2005	Bilateral discussions on the implementation of the signed memorandum of understanding
Addis Ababa	26 - 29 September 2005	Bureau meeting of the African Union Labour and Social Affairs Commission
Geneva	3 - 18 November 2005	ILO Governing Body meeting
Algeria	8 - 12 November 2005	Bilateral discussions by the two Ministers of Labour on a Memorandum of understanding
Geneva	February 2006	International Labour Conference on Maritime Issues
Zimbabwe	6-10 February 2006	ARLAC Governing Council
Geneva	16 - 31 March 2006	ILO Governing Body meeting

GENERAL INFORMATION

3. Mission Statement

The Department of Labour will play a significant role in reducing unemployment, poverty and inequality through a set of policies and programmes developed in consultation with social partners, which are aimed at:

- improved economic efficiency and productivity
- skills development and employment creation
- sound labour relations
- eliminating inequality and discrimination in the workplace
- alleviating poverty in employment
- enhancing occupational health and safety awareness and compliance in the workplace
- nurturing the culture of acceptance that worker rights are human rights.

4. Legislative Mandate

The Department of Labour relates to the following ten Statutory Bodies:

4.1 Advisory Council for Occupational Health and Safety

The Council was established in terms of section 2 of the Occupational Health and Safety Act, 1993 (OHSA).

The functions of the Council include the following:

- advising the Minister on policy matters arising out of or in connection with the application of the provisions of the Act
- advising the Minister on any matter relating to occupational health and safety
- performing the functions assigned to it by the Act or referred to it by the Minister
- conducting investigations and doing research with a view to the performance of its functions
- making rules relating to the calling of Council meetings, the determination of a quorum for the procedures at such meetings and generally relating to all matters which may be necessary for the effective performance of its functions
- advising the Department on the formulation and publication of standards, specifications or other forms of guidance for the purpose of assisting employers, workers and users to maintain appropriate standards of occupational health and safety

GENERAL INFORMATION

- advising the Department on the promotion of education and training in occupational health and safety
- advising the Department on the collection and dissemination of information on occupational health and safety
- concluding agreements for the performance of a particular act or particular work or for the rendering of a particular service.

4.2 Commission for Conciliation Mediation and Arbitration

This Commission was established in terms of section 112 of the Labour Relations Act, 1995 (LRA).

The Commission's functions are 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 to a dispute about the procedure to follow in terms of this Act
- assist a party to a dispute to obtain legal advice, assistance or representation
- 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 asked 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, workers, employers, registered trade unions, registered employers' organisations or councils with advice or training relating to the primary objectives of the LRA
- perform any other duties imposed, and exercise any other powers conferred on it in terms of the LRA and perform any other function entrusted to it by any other law.

4.3 Commission for Employment Equity

This Commission was established in terms of section 28 of the Employment Equity Act, 1998 (EEA).

The Commission's functions are to advise the Minister on:

- codes of good practice issued by the Minister in terms of section 54 of the Act

GENERAL INFORMATION

- regulations made by the Minister in terms of section 55
- policy and any other matter regarding this Act
- awarding achievements of employers in furthering the purposes of the Act
- any matter relating to the application of this Act, including appropriate and well-researched norms and benchmarks for the setting of numerical goals in various sectors
- the performance of any other prescribed function.

4.4 Compensation Board

This Board was established in terms of section 10 of the Compensation for Occupational Injuries and Diseases Act, 1993 (COIDA).

Its functions include advising the Minister on:

- matters of policy arising out of or in connection with the application of the COIDA
- the nature and extent of the benefits payable to workers or dependents of workers, including the adjustment of existing pensions
- the appointment of assessors
- the amendment of the COIDA.

The Board also advises the Director-General regarding the performance of particular aspects of its functions.

4.5 Employment Conditions Commission

This Commission was established in terms of section 59 (1) of the Basic Conditions of Employment Act, 1997 (BCEA).

The functions of the Commission are to advise the Minister on:

- sectoral determinations in terms of Chapter 8
- any matter regarding basic conditions of employment
- any matter arising out of the application of the Act
- the effect of the policies of Government on employment
- trends in collective bargaining and whether any of those trends undermines the purposes of the Act

GENERAL INFORMATION

- any matter concerning the employment of children, including the review of section 43 (including the Minister of Welfare and Population Development, now called the Minister for Social Development)
- any matter concerning basic conditions of employment in the public service (including the Minister of Public Service and Administration).

4.6 National Economic Development and Labour Council

This Council 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.

4.7 National Productivity Institute

This is a section 21 Company (Incorporated Association without Gain), established under the Companies Act, 1973.

The functions are to:

- promote, develop capacity and facilitate partnerships in national productivity drives
- disseminate information on the nation's productivity performance and productivity improvement experiences
- initiate relevant productivity improvement approaches and techniques
- influence the creation of a conducive socio-economic, legislative and policy environment for ongoing productivity improvement and for South Africans to adopt a culture of sustainable productive practices, in order to enjoy a high quality of life.

4.8 National Skills Authority

The National Skills Authority (NSA) was established in terms of section 4 of the Skills Development Act, 1998.

GENERAL INFORMATION

The functions of the NSA are to:

- advise the Minister on a national skills development policy, a national skills development strategy, guidelines on the implementation of the national skills development strategy, the allocation of subsidies from the National Skills Fund, and any regulations to be made
- liaise with Sector Education and Training Authorities (SETAs) on the national skills development policy and the national skills development strategy
- report to the Minister in the prescribed manner on the progress made in the implementation of the national skills development strategy
- conduct investigations on any matter arising out of the application of this Act
- exercise any other powers and perform any other duties conferred or imposed on the NSA by this Act.

4.9 Umsobomvu Youth Fund

In 1998, the Minister of Finance announced Government's decision to set aside R855 million to create the Umsobomvu Youth Fund, a section 21 company.

The purpose of the Fund is to facilitate skills development and job creation for the youth. Skills Development Programmes are divided into Community Youth Services (CYS) and School to Work (StW). CYS is aimed at providing the youth with skills whilst they provide services to their community.

StW is aimed at assisting young people to high-level careers that are scarce and currently not occupied by Blacks.

Umsobomvu has established 12 Youth Advisory Centres. The Centres offer information and counselling support regarding career development, employment and entrepreneurship. The Business Development Support Voucher Programme (BDSVP) that the Fund launched in November 2002 was rolled out in March 2003. The Entrepreneurship Finance Programme consists of three products, namely Micro Finance (loans between R1 000 and R50 000); SME Finance (loans between R100 000 and R5 million) provided through the Progress Fund (a partnership with FNB and Momentum) and the Franchise Fund (a partnership with business partners) and cooperatives.

4.10 Unemployment Insurance Board

The Unemployment Insurance Board was established in terms of section 47 of the Unemployment Insurance Act, 2001.

Its functions include the following:

- to advise the Minister on
 - unemployment insurance policy
 - policies arising out of the application of this Act

GENERAL INFORMATION

- policies for minimising unemployment
- the creation of schemes to alleviate the effects of unemployment insurance
- to make recommendations to the Minister on changes to legislation in so far as it impacts on policy on unemployment or policy on unemployment insurance
- to perform any other function which may be requested by the Minister for purposes of giving effect to this Act.

SECTION 2

PROGRAMME PERFORMANCE

Voted funds

Appropriation	Main appropriation	Adjusted appropriation	Actual amount spent	Under expenditure
	R'000	R'000	R'000	R'000
Programme 1	274 282	238 680	218 667	20 013
Programme 2	539 275	570 665	532 307	38 358
Programme 3	147 179	141 133	117 428	23 705
Programme 4	330 814	349 259	349 008	251
Programme 5	22 427	9 001	4 931	4 070
Total	1 313 977	1 308 738	1 222 341	86 397
Responsible Minister	Minister of Labour: MMS Mdladlana, MP			
Administering Department	Department of Labour			
Accounting Officer	Director-General of Labour: Dr VM Mkosana			

Revenue

	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	% deviation from target
	R'000	R'000	R'000	R'000	R'000	%
Tax revenue	-	-	-	-	-	-
(Specify)						
Non-tax revenue	995	2 377	3 079	3 192	3 318	(10.21)
(Specify)						
Sales of capital assets (Capital Revenue)	-	-	232	-	42	-
(specify)						
Financial transactions (Recovery of loans and advances)	-	2 372	1 154	1 280	1 451	48.67
Total Departmental receipts	995	4 749	4 465	4 472	4 811	7.58

Expenditure

Programmes	Voted for 2005/06	Roll-overs and adjustments	Virement	Total voted	Actual Expenditure	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	238 680	-	-	238 680	218 667	20 013
Programme 2	570 665	-	-	570 665	532 307	38 358
Programme 3	142 579	-	(1 446)	141 133	117 428	23 705
Programme 4	347 813	-	1 446	349 259	349 008	251
Programme 5	9 001	-	-	9 001	4 931	4 070
Total	1 308 738	-	-	1 308 738	1 222 341	86 397

PROGRAMME PERFORMANCE

Transfer Payments

Name of Institution	Amount transferred R'000	Estimate expenditure R'000
Compensation Fund	4 931	4 931
Unemployment Insurance Fund	-	-
Commission for Conciliation Mediation and Arbitration	208 576	208 576
National Productivity Institute	23 934	23 934
National Skills Fund	40 251	40 251
Strengthening Civil Society Fund / Development Institute for Training, Support and Education for Labour (DITSELA)	8 912	8 912
National Economic Development and Labour Council (NEDLAC)	11 551	11 551
Subsidised work centres for people with disabilities	44 687	44 687
Statutory		
Sector Education and Training Authorities	3 906 664	3 906 664
National Skills Fund	976 666	976 666
International Labour Organisation	5 360	5 360
Arlac	423	423
SA National Council for the Blind	212	212
Deaf Federation of South Africa	83	83
National Council for the Physical Disabled	169	169
Subsidised workshops for the blind	6 328	6 328
South African Youth Council	1 000	1 000
Resignation Packages to Households	947	947
Regional service levies to municipalities	1 278	1 278
Total	5 241 972	5 241 972

Aim of the 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 efficiency and productivity; skills development and employment creation; sound labour relations; eliminating inequality and discrimination in the workplace; and alleviating poverty in the workplace; to play a significant role in enhancing employment and protecting and enhancing worker rights and benefits; enhancing occupational health and safety awareness and compliance in the workplace; as well as nurturing the culture of acceptance that worker rights are human rights.

Programme purpose and measurable objectives

Programme 1:	Administration
Purpose:	Conduct the overall management of the Department and provide support and advisory services.
Programme 2:	Service Delivery
Purpose:	Protect the health and safety of workers, and implement and enforce Department of Labour policies.

PROGRAMME PERFORMANCE

Measurable objective: Ensure the effective and efficient implementation of legislation, standards, guidelines and policies in an integrated manner through the provision of inspection and enforcement services, employment and skills development services, and labour market information and statistical services.

Programme 3: **Employment and Skills Development Services and Human Resources Development**

Purpose: Achieve the strategic objectives and equity targets of the national skills development strategy and contribute to the achievement of the strategic objectives of the National Human Resources Development Strategy.

Measurable objective: Achieve the 2005/06 targets of the National Skills Development Strategy through managing service level agreements and providing support services to all SETAs and managing the National Skills Fund efficiently and effectively.

Programme 4: **Labour Policy and Labour Market Programmes**

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

Measurable objective: Develop labour legislation and policy to reduce conflict and inequalities and improve working conditions and equity in the labour market, including fulfilling South Africa's obligations to international and regional organisations.

Programme 5: **Social Insurance**

Purpose: Provide for administrative and other support services to the Unemployment Insurance Fund (UIF) and the Compensation Fund (CF), and manage government's contributions to the activities of these Funds.

Measurable objective: Support and ensure sound administration of the UIF and the Compensation Fund, and manage government financial assistance to the Funds in order to ensure efficiency and financial sustainability.

Strategic overview and key policy developments: 2002/03 – 2008/09

An enabling labour market environment

Creating employment is the biggest challenge facing government and a key instrument for fighting poverty. The Department of Labour formulates labour market policies that provide an enabling environment for job-creation. By setting and enforcing norms and standards, the Department seeks to ensure that existing and new jobs do not jeopardise workers' health and safety.

The National Skills Development Strategy for 2005 to 2010 will play a key role in realising Government's goal of halving the country's unemployment by 2014. Learnerships, apprenticeships and internships targeted at unemployed youth are critical to addressing

PROGRAMME PERFORMANCE

unemployment. Adult basic education and training policy, driven through the National Skills Development Strategy, aims to enhance the basic skills of people beyond their school-going years and tackle long-term unemployment. The expanded public works programme targets the unemployed to provide them with working experience, equip them with skills for further employment and it is also a poverty alleviation measure.

The Department seeks to encourage and improve labour productivity in South Africa by designing and managing a sound labour relations regime, managing the UIF in the interests of the unemployed, managing the Compensation Fund to ensure that workers are compensated for occupational injuries and diseases, and promoting an effective skills development strategy.

In line with the Government's commitment to creating employment, the Growth and Development Summit was held in June 2003. Complementary to the GDS, the Accelerated and Shared Growth Initiative - SA (ASGISA) and Joint Initiative for Priority Skills Acquisition (JIPSA) have been initiated in 2005 to put the economy on a high growth trajectory while poverty reduction is enhanced partly through employment creation. The Department has a key role to play in the skills development area.

Enhancing skills development

The Skills Development Act (1998) and the Skills Development Levies Act (1999) seek to address the skills shortage by encouraging and supporting training across all sectors of the economy through the SETAs.



The National Skills Development Strategy, aims to enhance the skills of people beyond their school-going years.

The National Skills Development Strategy (NSDS) was reviewed and launched by the Minister in 2005. It seeks to prioritise certain areas of work and direct skills funding. Key principles are to: support economic growth for employment creation and poverty eradication; promote productive and equitable citizenship by aligning skills development

PROGRAMME PERFORMANCE

with national strategies for growth and development, and accelerate broad-based BEE and employment equity. The equity targets require that 85% of all beneficiaries of the National Skills Development Strategy be Black, 54% female and 4% people with disabilities.

Employment equity

To improve the implementation of the Employment Equity Act (1998), the Department introduced amendments to the Employment Equity Regulations. The amendments aim to refine data collection, tighten the enforcement of the Employment Equity Act (1998) and improve the Department's operations for employment equity. The Director-General review system has been designed to promote substantive compliance with the law. The Department has also developed a human resources code of good practice, which integrates employment equity into human resources policies and practices. The Department has trained inspectors to embark on vigorous inspections to give expert advice and to enforce the law.

Protection of vulnerable workers

The protection of workers has advanced, through investigations into minimum wages and working conditions in a number of sectors. Among these Taxi and Forestry determinations were published.

Strengthening social protection

Over the medium term, the Department aims to strengthen social protection by improving the services provided by the UIF and the Compensation Fund. Key areas in this regard are integration of occupational health and safety as well as compensation competencies across government and the implementation of the turnaround strategy for the UIF. A policy document on integration is in place and it is envisaged that immediately after approval this policy will be open for discussion among social partners within NEDLAC.

Service delivery

The Department of Labour is committed to effectively implementing its policies. Integrating the services offered by labour centres and business units



The Department introduced amendments to the Employment Equity Regulations.

PROGRAMME PERFORMANCE

has helped improve the quality of and access to these services and staff have been empowered through multi-skilling. Decentralisation of functions from Head Office to labour centres has been identified for immediate implementation to enhance service delivery.

Monitoring and controlling the impact of labour market policies

The Department has identified strategic partnerships to enhance its capacity to research and monitor the impact of labour market policies. This research also analyses and evaluates labour policy and provides ongoing and updated data and statistics for the labour market.

Expenditure trends

The Department's non-statutory expenditure decreased between 2001/02 and 2003/04 to R1 billion, due to the success of the UIF's turnaround strategy, which ended the need for continuing interim support. Since then, expenditure has risen, and is expected to continue to rise to R1,5 billion in 2007/08, at an annual rate of 7,1% over the next three years.

The statutory allocations are expected to continue to increase steadily, rising from R2,5 billion in 2001/02 to R6,0 billion in 2007/08, an annual average increase of 15,4%.

The 2005 budget provides for baseline increases of R24,5 million for 2005/06, R49,9 million for 2006/07 and R57,2 million for 2007/08. These increases are mainly to improve the Department's capacity. The increases also make provision for VAT adjustments for transfers to public entities.

Departmental receipts

The Department collects limited amounts of revenue. Receipts from fines and forfeitures resulting from prosecutions in terms of labour legislation flow through the Department of Justice and Constitutional Development.

PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

Administration conducts the overall management of the Department and includes policy formulation by the Minister, the Director-General and of the Department's management team. Other activities include financial management, human resources management, support services and communication services.

Communication

Introduction

The Department's Communication entails marketing and advertising, media liaison, production and stake holder relations. Communication is responsible for profiling the Department and the Minister in public through various communication mediums and campaigns.



The Department takes its services to the people in remote and rural areas.

Through Communication the website attracted 1 945 450 visits in the financial year 2005/06. The Department received extensive coverage in the print and electronic media, communicating our services and the Ministerial Programme of Action.

Financial Management

Introduction

Financial Management of the Department entails the budget management, financial reporting, financial liaison and support of the public entities, supply chain management and

PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

office administration.

The Department put in place systems to ensure compliance with the PFMA, PPPFA, Treasury Regulations and guidelines and addressed all issues raised by the Office of the Auditor-General. The Department drafted the BBBEE policy for ensuring procurement processes were aligned to broader government strategic goals.

The Department investigated a reporting and planning tool for alignment with the Strategic Plan and the Ministerial Programme of Action.

To expand the footprint of rendering our services, we opened three additional labour centres in Mount Allyliff, Jane Furse and Kuruman and launched 20 fully equipped and branded mobile units.

Human Resources Management

Introduction

The Department's Human Resources Management facilitates the development of staff, ensures effective and efficient utilisation of the human capital and renders legal services to the Department. Three functional areas are covered in the programme, namely, management advisory services, human resources management and legal services.

Enabling policies that provided guidelines on how the Department should implement the laws and regulations on human resource practices were developed, adopted and implemented. The Youth Disability, and Gender Unit was established to implement adopted programmes on youth, women and people with disabilities.



Wellness Champions of the Department of Labour.

PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

The process of decentralisation of functions and delegating of authority was initiated with the assistance of the National Productivity Institute (NPI).

The Code of Ethics for Wellness Champions was developed and the National launch of the Departmental Peer Education Programme (Wellness Champions) was held.

Information Communications Technology (ICT)

Introduction

The Department of Labour has identified ICT as a means to improve service delivery. It is envisaged that the application of technologies will have a major impact on the way the Department conducts its business.

In line with technology evolution and convergence of technologies which maximises the ICT benefits, the Department sought to acquire a call centre and related services.

Information Technology Achievements

1. The completion of a feasibility study on the convergence of information and communication technology within the Department. The feasibility study provides clarity on, inter alia, the affordability, risks and value for money associated with convergence.
2. The development of Siyaya, a claims management system that endeavours to ensure alignment between the business processes and IT systems in support of the Registration, Declaration, Claims Management and Case Management processes at the UIF. Siyaya has been implemented and has been fully operational since April 2005.

Internal Audit

Introduction

The purpose of the Department's Internal Audit is to provide audit services by evaluating the adequacy and effectiveness of all control measures implemented by management against the risks faced by various programmes.

Internal Audit Achievements

1. Internal Audit Services were rendered to the Department of Labour, Sheltered Employment Factories, Unemployment Insurance Fund, Compensation Fund, and the National Skills Fund. The rolling three-year strategic audit plans and the annual audit plans were compiled and the audits were performed in accordance with the annual audit plans.
2. 39 Final Audit Reports were issued. The Department adopted the Revised Good Governance Strategy, Fraud Prevention Plan and the Risk Management Framework. Established internal Audit Steering Committees at the UIF, CF and the Department.

PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

Security

Introduction

The purpose of the Security Directorate is to provide strategic leadership in the protection of Government assets, people (staff members) and information since information forms part of the intellectual property of the State.

Security Achievements

- An upgraded badge production and imaging system for all staff members has been installed
- Access control proximity readers were installed to offices where more than three officials are sharing an office
- The installation of a Cardkey P900 Electronic Security Management system utilising the existing HID readers and access cards
- An asset tracking system was installed, providing protection against unauthorised removal of laptops.

PROGRAMME PERFORMANCE

PROGRAMME 2: SERVICE DELIVERY

Service Delivery is responsible for ensuring that the Department of Labour's legislation and policies are implemented in an integrated manner.

Core activities are structured around six sub-programmes:

- *Management Support Services* is responsible for the overall management and related support of the provincial offices, labour centres and visiting points
- *Beneficiary Services* provides services to unemployed people and people injured on duty, in accordance with the Unemployment Insurance Act (2001) and the Compensation for Occupational Injuries and Diseases Act (1993) by administering, processing and finalising applications for benefits
- *Employment Services* facilitates access to employment and income-generating opportunities for the under-and unemployed through implementing a range of policies and programmes
- *Inspection and Enforcement Services* ensures that employers and employees comply with labour legislation
- *Labour Market Information and Statistics* researches and monitors development in the labour market by analysing the impact of various Acts and the performance of job-creation programmes and assessing internal capacity
- *Occupational Health and Safety* promotes health and safety in the workplace through regulating the use of plant and machinery and dangerous activities.



Inspection and Enforcement Services ensures that employers and employees comply with labour legislation.

PROGRAMME PERFORMANCE

PROGRAMME 2: SERVICE DELIVERY

Measurable Objective: Ensure the effective and efficient implementation of legislation, standards, guidelines and policies in an integrated manner through the provision of inspection and enforcement services, employment and skills development services, and labour market information and statistical services.

Subprogramme	Output	Measure/Indicator	Target	Actual
Management Support Services	Ensure effective administrative support services	Staff trained as per Department of Labour's skills plan	At least 2 600 people to be trained by March 2006	6 145 staff members were trained by March 2006
Beneficiary Services	Improved social safety net	Improved processing of both UIF and Compensation Fund claims	Unemployment Insurance claims processed and paid within 6 weeks of receiving complete documentation Completed Compensation for Occupational Injuries and Diseases Act (1993) claims processed and paid within 90 days	96% claims finalised and paid within six weeks compared to 85% in the previous year Out of a total of 246 000 claims reported in 2005, 218 575 (89%) have been completed, although not within 90 days as planned
Employment Services	Support to unemployed and exiting learners through National Skills Development Strategy and other related programmes	Skills development supports provincial and sectoral growth, development and equity priorities Percentage of employed and unemployed trained and successfully placed Percentage of unemployed placed in learnerships	Provincial Skills Plans aligned to Provincial Economic Growth and Development Strategies (PGDS) Achieve 70% placement rate on allocated training projects within 2 months of completion of training, with employment for a period of at least 3 months. At least 10% of registered unemployed young people absorbed into s. 18 (2) learnerships in provinces, and supported	Provincial Skills Plans aligned to PGDS in all provinces 54% were placed. 103 168 people were trained and 55 376 were placed. NSDS 2005-10 37 227 unemployed learners have entered and 11 678 have completed by end of March 2006

PROGRAMME PERFORMANCE

PROGRAMME 2: SERVICE DELIVERY

Subprogramme	Output	Measure/Indicator	Target	Actual
Inspection and Enforcement Services	Ensure compliance with labour legislation	Percentage improvement in compliance levels with labour legislation and sectoral determinations.	5% increase in compliance levels	More workplaces inspected, including the informal sector. This resulted in the overall decrease of 4% in compliance levels.
	Implementation and monitoring of targeted Advocacy and Enforcement Strategy, which is sector and issue specific	Number of accidents, injuries and fatalities in targeted industries	2 % decrease from previous year	3.8% decrease in fatal accidents reported
Labour Market Information and Statistics	Collect, collate, analyse and disseminate labour market information and statistics to various stakeholders.	Relevant information produced at regular intervals	Quarterly trend analysis reports published. Annual Client Satisfaction Survey conducted	Quarterly Labour Market Bulletin (1) and (2) completed and disseminated on the Intranet. 2004/05 National Annual Report approved for publication and National feedback fliers finalised and disseminated
			Job placement verification study conducted and reports disseminated by November 2005	Done in July 2006.
Occupational Health and Safety	Safe and Healthy working environment	Number of blitz inspections carried out	At least 1 000 inspections during 2005/06	3 800 workplaces were inspected
		Number of national roving team inspectors and shop stewards trained in the high risk sectors	10 inspectors and 40 shop stewards trained by June 2005	147 inspectors and 100 shop stewards were trained during 2005/06
	Strengthen occupational health and safety institutional framework	National Occupational Health and Safety Authority in place	September 2005	The process is at the stage of finalising the business model for presentation to Cabinet.

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT SERVICES AND HUMAN RESOURCES DEVELOPMENT

This programme focuses on implementing the National Skills Development Strategy and the National Human Resources Development Strategy.

There are six subprogrammes:

- *Skills Development Funding* ensures the flow of funds from the South African Revenue Service to the National Skills Fund and the SETAs, the collection and distribution of funds, and the disbursement of grants by SETAs and subsidies by the National Skills Fund
- *SETA Coordination* ensures the effective and efficient implementation of the National Skills Development Strategy at the sector level
- *INDLELA* aims to develop a learnership system, increase access to work-based qualifications, and conduct assessments at different levels and in different fields of learning
- *Training of Staff* funds staff training programmes and ensures the availability of relevant skills for implementing the legislation
- *Administrative Auxiliary Services* supports the development and management of the employment and skills development services and human resources development branch strategy and policy processes, and provides support services to the branch
- *The National Productivity Institute* aims to support government-led strategic initiatives that affect job creation and retention, productivity and competitiveness.



Unemployed people are skilled in various learnerships to offer them the opportunity to find employment.

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT

SERVICES AND HUMAN RESOURCES DEVELOPMENT

Table 1: Results against Key Branch Outputs

Measurable Branch Objective: Achieve the 2005/06 target of the National Skills Development Strategy through managing service level agreements and providing support services to all SETAs and managing the National Skills fund efficiently and effectively.				
Subprogramme	Output	Measure/Indicator	Target	Actual
Skills Development Funding	Funding allocation to projects and programmes and monitoring of projects	Proportion of available funds spent or committed	At least 75% of available funds spent or committed by March 2006	57.8% of NSF income was spent or committed by March 2006
		Percentage of project achievements against project plan	At least 75% of projects outcomes against project plans achieved by March 2006	The aggregated project outcomes came to 80.4% measured against approved project budget and actual project expenditure
SETA Coordination	Management of SETA performance	Performance indicators and service level agreements (SLA) concluded and regularly managed with all SETAs.	At least 15 SETAs achieve satisfactory assessments against indicators. Underperformance identified and remedial action agreed and implemented by the end of February each year.	16 SETAs achieved satisfactory assessment against indicators. Individual performance score cards of 23 SETAs completed by September 2005 and remedial action on outstanding target was concluded in March as part of the 2006 SLAs
		Number of youth in learnerships and placed in jobs after completion	Minimum of 80 000 youth in learnerships by March 2005. 50% placed within 6 months after completion and equity targets achieved (84% Black, 54% women and 4% with disability)	NSDS 2001-05 88 410 learners were in learnerships and 21 237 were in apprenticeships (total: 109 647) of these 56 301 had completed and 77% were employed on full time or part time. 82% Black, 45% women and 2% people with disabilities NSDS 2005-10 37 227 unemployed learners have entered and 11 678 have completed by end of March 2006. 71% Black, 33% women and 2% were people with disabilities
	SETAs supported to fulfil legislation and strategic obligations of the National Skills Development Strategy	Increase competency of SETA boards and functions	500 enterprises achieve a national standard of good practice in skills development, to be approved by the Minister by March 2005	Draft proposal developed but could not be finalised during the period under review

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT

SERVICES AND HUMAN RESOURCES DEVELOPMENT

Subprogramme	Output	Measure/Indicator	Target	Actual
	Support and assess SETA sector skills plans	SETA sector skills plans assessed	25 SETA sector skills plans assessed by end October 2005	23 SETA sector skills plans were submitted during November 2005 and assessed in January 2006
INDLELA	Assessment services maintained while transforming INDLELA	Apprenticeship assessment services and certification maintained	Provide 100% of assessment and certification information related to all apprentices as well as the 28 recognition of prior learning candidates assessed at INDLELA	8 865 trade tests were arranged, 109 withdrawn, 1 243 candidates were absent on the date of the trade test, 7 622 were tested and 3 391 passed their trade test, i.e. 44%
Administrative Auxilliary Services	Employment and skills development services and human resources development programmes strategy and policy processes managed	Workplans of the branch finalised and performance of the branch against the workplan conducted timeously	Workplans finalised by February 2005 with quarterly and annual assessments	Workplans were finalised in April 2005 and assessments were conducted at the end of the 2nd and 4th quarters

Skills Levies collected and transferred to SETAs and NSF

Table 2 illustrates the total levies collected by SARS and transferred to SETAs and the NSF within 30 days of each second month. The amounts represent 1 % of the employer's remuneration bill and the current compliance level stands at 92%.

The Skills Development Levies Act was amended in August 2005 to exclude all companies that have a remuneration bill that is less than R500 000 per annum (previous level was R250 000). **Table 2** illustrates the total amount collected and transferred to SETAs and the NSF by end of March 2006.

Table 2: Levy transfers to SETAs and the NSF

Levy year April – March	Total amount collected R'000	Amount transferred to SETAs during the levy year R'000	Amount transferred to NSF during the levy year R'000
2005/06	R 4 883 330	R 3 906 664	R 976 666

For 2005/06 an amount of R 55.052 million was paid to SARS as at 31 March 2006 for levy collection services.

Transfers to NPI and UYF

The money received and utilised by the NPI and UYF is also aligned to the implementation of the NSDS and is thus part of the funding for the implementation of the NSDS. For the 2005/06 financial year the NPI had an adjusted appropriation amount of R 23,9 million while

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT SERVICES AND HUMAN RESOURCES DEVELOPMENT

the UYF had an estimated revenue outcome of R 58,9 million.

National Skills Development Strategy Implementation

Table 3 provides progress towards targets set for the period 1 April 2005 to 31 March 2006 against the first year of the NSDS 2005 – 2010.

The report was generated from Quarterly Monitoring Reports submitted by SETAs, the Department's provincial offices responsible for the various NSF projects and other organisations and institutions funded under the NSF. Where relevant, achievements by the National Productivity Institute (NPI) and Umsobomvu Youth Fund (UYF) are also indicated.



The National Skills Development Strategy aims to enhance skills of people beyond their school-going years.

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT

SERVICES AND HUMAN RESOURCES DEVELOPMENT

Table 3: Achievements against adjusted National Skills Development Strategy 2005 – 2010 year one targets 1 April 2005 to 31 March 2006

Success Indicator No	NSDS 2005 -2010 Success Indicator description	Annual targets 2005 - 2006	Progress as at 31 March 2006
Objective 1: Prioritising and communicating critical skills for sustainable growth, development and equity			
1.1	Skills development supports national and sectoral growth, development and equity priorities	23 SETA sector skills plans (SSPs) for 2005 – 2010 received by 31 August 2005 and evaluated by 31 March 2006.	23 SETA SSPs were received in December 2005 and evaluated by March 2006.
1.2	Information on critical skills widely available to learners and impact measured	Scarce and critical skills list published. 7 183 Skills Development Facilitators (SDF) to be trained by SETAs. National and sector guides distributed	State of Skills published and distributed in October 2005. 8 082 SDFs (13% over target) trained by SETAs and 39 by NPI.
Objective 2. Promoting and accelerating quality training for all in the workplace			
2.1	80% of large firms and 60% of medium firms supported through skills development. Impact on overall equity profile assessed.	3 144 large firms and 4 708 Medium firms supported through skills development	4 866 large firms (55% over target) and 5 424 medium firms (15% over target) supported
2.2	Skills development in 40% of small levy paying firms supported and the impact of support measured.	27 106 Small levy paying firms supported through skills development	28 532 (5% over target) small levy paying firms supported.
2.3	80% of government departments spend at least 1% of personnel budget on training and impact on service delivery measured	80% of national and provincial departments spend at least 1% of personnel budget on training	National Departments spent 1.74% of personnel cost on training. Statistics for Provincial Departments were not available.
2.4	A national standard of good practice framework in skills development approved by Minister of Labour	A national standard of good practice in skills development submitted to the Minister for approval	Draft proposal developed but could not be finalised during the period under review.
2.5	Annually increasing number of small BEE firms and BEE co-operatives supported by skills development. Impact of support measured	Annually increasing number of small BEE firms and BEE cooperatives	Not measured during 2005/06. Research will be undertaken during 2006/07 to determine BEE firms baseline.

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT SERVICES AND HUMAN RESOURCES DEVELOPMENT

Success Indicator No	NSDS 2005 -2010 Success Indicator description	Annual targets 2005 - 2006	Progress as at 31 March 2006
2.6	Annually increasing number of people benefiting from incentivised training for employment or re-employment in new investment and expansion initiatives.	Annually increasing number of people who benefit from incentives training for employment /re-employment in new investments and expansion initiatives.	1 178 workers in 93 SMEs received training. NPI established 91 future forums and 47 turnaround strategies in companies to prevent job losses
2.7	By March 2010, at least 700 000 workers have achieved at least ABET Level 4	SETAs committed to a target of 41 838 workers that included workers registered on ABET programmes before April 2005	41 097 (99% of target) workers were registered on ABET Levels 1-4.
2.8	By March 2010, 125 000 workers assisted to enter and 50% complete programmes leading to scarce skills.	SETAs committed to a target of 29 297 workers to enter and 14 649 complete programmes leading to scarce skills. NPI committed to training 560 workers	79 198 workers (170% over target) learners have entered and 44 623 (205% over target) completed. NPI trained 781 workers
Objective 3. Promoting employability and sustainable livelihoods			
3.1	By March 2010, at least 450 000 unemployed people trained of which 25% undergo accredited training and 70% are placed.	90 000 unemployed people trained, 25% of training quality assured, and 70% of trained people, placed in employment, self-employment or social development programmes, including EPWP.	103 168 unemployed people were trained. 55 376 (54%) were placed.
3.2	By March 2010, 2 000 non-paying enterprises, NGOs, CBOs, and Community co-operatives supported by skills development.	SETAs committed to supporting a target of 466 non-levy paying enterprises with skills development.	829 (78% over target) non-levy paying enterprises were supported with skills development.
3.3	By March 2010, 100 000 unemployed people participate in ABET programme, at least 70% achieve ABET Level 4	20 000 unemployed people have participated in ABET Level programmes, leading to the achievement of ABET Level 4	Framework and calls for application were completed by end of March 2006

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT SERVICES AND HUMAN RESOURCES DEVELOPMENT

Success Indicator No	NSDS 2005 -2010 Success Indicator description	Annual targets 2005 - 2006	Progress as at 31 March 2006
Objective 4. Assisting designated groups, including new entrants to participate in accredited work – integrated learning and work – based programmes to acquire critical skills to enter the labour market and self – employment.			
4.1	By March 2010, 125 000 unemployed people assisted to enter and 50% complete programmes leading to scarce skills.	<p>SETAs committed to a target of 29 568 unemployed learners to enter and 14 784 complete programmes leading to scarce skills.</p> <p>The NSF committed a total of R 3,44 million to supporting learners in programmes leading to scarce skills including learnerships and bursaries</p> <p>The UYF committed to assisting young unemployed learners with skills development</p>	<p>37 227 unemployed (26% over target) learners have entered and 11 678 (79% of target) completed. 71% Black, 33% women and 2% were people with disabilities</p> <p>2 300 learners in ESDLEs learnerships supported, 6 941 bursaries awarded.</p> <p>1 452 learners in National Youth Service programme and 941 learners in School to Work Programme</p>
4.2	100% of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience locally or abroad.	SETAs committed to a target of 8 301 learners	3 693 learners (44% less than the target) entered work places to acquire workplace experience.
4.3	By March 2010, 10 000 young people trained and mentored to form sustainable new ventures in operation 12 months after completion of the programme.	<p>SETAs committed to a target of 1 669 young people to enter new venture creation programmes</p> <p>NPI committed to assisting 300 micro enterprise entrepreneurs</p>	<p>1 731 young people (4% above target) entered new venture creation programme</p> <p>327 emerging entrepreneurs were trained</p>
Objective 5. Improving the quality and relevance of provision			
5.1	By March 2010, each SETA recognises and supports at least five Institutes of Sectoral or Occupational Excellence. (ISOE)	SETAs committed to recognising and supporting 55 ISOEs	103 organisations were recognised and supported as interim ISOE's
5.2	By March 2010, at least two provider institutions per province accredited to manage the delivery of new venture creation qualification.	SETAs committed to supporting 33 provider institutes	58 provider institutes (76% above target) supported.
5.3	Measurable improvement in quality of services delivered by skills development institutions and institutions implementing NQF in support of the NSDS.	<p>All SETA based Education and Training Quality Assurance units (ETQAs) maintain SAQA accreditation.</p> <p>SAQA funded by NSF to support ETQAs</p>	<p>21 SETAs received three-year ETQA accreditation status from SAQA and Agri- SETA and SASSETA received a conditional year-long accreditation.</p> <p>R 16,8 million grant paid to SAQA to support SETA Quality Assurance services.</p>

PROGRAMME PERFORMANCE

PROGRAMME 3: EMPLOYMENT AND SKILLS DEVELOPMENT SERVICES AND HUMAN RESOURCES DEVELOPMENT

Success Indicator No	NSDS 2005 -2010 Success Indicator description	Annual targets 2005 - 2006	Progress as at 31 March 2006
5.4	NSA constituency based assessment of improvement in stakeholder capacity development	Funding framework developed and referred to NSA for consideration	Draft framework was developed and tabled to NSA

Umsobomvu Youth Fund (UYF) and the National Productivity Institute (NPI)

The Umsobomvu Youth Fund (UYF) and the National Productivity Institute (NPI) are the two agencies whose work closely contributes to meeting the objectives of the NSDS. The NPI budget allocation forms part of the Programme 3 Vote 17 MTEF allocation. Both of these agencies have their separate offices, staff and Boards and are Section 21 Public Entities. The UYF and the NPI produce separate detailed annual reports regarding their activities.

Umsobomvu Youth Fund

The UYF was established in January 2001 by the South African Government and mandated to facilitate and promote the creation of jobs and skills development among young South Africans, aged primarily between the ages of 18 and 35 years. UYF was funded through the proceeds of the Demutualisation Levy Act of 1998, amounting to R855 million and fulfils its mandate by making strategic investments that facilitate opportunities for young people to acquire skills, to access jobs or pursue meaningful self-employment opportunities through various enterprise initiatives.

The National Productivity Institute (NPI)

The NPI is an organisation led by an advisory council and board drawn from government, organised labour and organised business. It is dedicated to the development and enhancement of South Africa's productivity and contributes to socio-economic development, competitiveness, and ultimately the general improvement of the quality of life of all South Africans.

PROGRAMME PERFORMANCE

PROGRAMME 4: LABOUR POLICY AND LABOUR MARKET PROGRAMMES

Labour Policy and Labour Market Programmes is responsible for creating an equitable and sound labour relations environment, including international labour matters, through research, analysis and evaluation of labour policy and through providing statistics on the labour market:

- *Labour Relations* promotes the establishment of an equitable and peaceful labour relations environment, including support for the Commission for Conciliation, Mediation and Arbitration
- *Labour Policy* encompasses research, analysis, evaluation and development of labour policy, providing statistical information on the labour market. The main aim is to support policy formulation and the drafting of legislation both in the Department and in Government in general
- *International Labour Matters* represents Government at the International Labour Organisation, the African Union and the African Regional Labour Administration Centre
- *NEDLAC* promotes economic growth, participation in economic decision-making and social equity by seeking consensus and making agreements on social and economic policy and all proposed labour legislation between community organisations, labour, business and Government.
- *Sheltered Employment* is responsible for the administrative, production and financial control of the work centres for people with disabilities, subsidising operating losses and capital expenditure of work centres for people with disabilities, subsidising workshops for the blind in accordance with approved standards.



A Sectoral Determination for the Forestry Sector was published for the first time.

PROGRAMME PERFORMANCE

PROGRAMME 4: LABOUR POLICY AND LABOUR MARKET PROGRAMMES

Subprogramme	Output	Measure/Indicator	Target	Actual
Labour Relations	Registration of trade unions, employers' organisations, bargaining councils and statutory councils	Percentage and number of labour organisations registered	70% of new applications processed. 300 existing applications processed	83% of new applications processed. All 300 existing applications finalised.
	Employment equity awards	First awards ceremony	June 2005	A decision was taken by the Commission for Employment Equity to launch the EE Awards System in mid 2006 to employers and to implement the system in August 2007.
	Amendments to the Employment Equity Act (1998) and Regulations	Amendments submitted to NEDLAC and promulgated	Submitted to NEDLAC by September 2005. Promulgated by May 2006.	The Amended Employment Equity Regulations have been completed and published in May 2006.
	Provide information on the status of employment equity	Publish 2004/05 employment equity and employment equity analysis reports	May 2005	The analysis of employment equity reports received in 2004 has been completed and published on the website. The 5th CEE Annual Report for the 2004/2005 period has also been completed and published.
	Determine minimum conditions of employment and wages for vulnerable workers in various sectors	Publish sectoral determinations within set timeframes	Forestry: March 2005 Taxi: May 2005	Forestry came into effect in April 2006 Taxi came into effect in April 2005

PROGRAMME PERFORMANCE

PROGRAMME 4: LABOUR POLICY AND LABOUR MARKET PROGRAMMES

Subprogramme	Output	Measure/Indicator	Target	Actual
			Sheltered employment: June 2005	Sheltered employment report completed in September 2005. The ECC did not recommend a sectoral determination before finalisation of restructuring
			Welfare: February 2006	Welfare to be done by March 2007
		Review the 2 existing sectoral determinations	Farm workers wage review: December 2005	Farm workers review completed in February 2006
		Domestic workers wage review	Domestic workers wage review: August 2006	Domestic workers review completed in November 2005
		Domestic workers provident fund established	August 2006	Employment Conditions Commission recommended investigation in 2008
			Wholesale and Retail February 2006	Wholesale and Retail investigation was done and promulgated in February 2006
	Provide information on wage differentials	Publish reports on wage differentials within set timeframe	Report submitted to Employment Conditions Commission: December 2005	Referred to October 2007 due to delay in data collection
	Implement national programme of action on the elimination of child labour	Reports on worst identified forms of child labour	Submit reports by March 2006	Reports on worst forms of child labour - Removed from work plan due to prioritisation
		Intersectoral child labour structures consisting of NGOs, CBOs, business, labour and government	March 2006	Intersectoral structures: Not done due to the restructuring of the Office of the Rights of the Child
		Departmental child labour desk implemented and operational	March 2006	Not done due to restructuring of the above.

PROGRAMME PERFORMANCE

PROGRAMME 4: LABOUR POLICY AND LABOUR MARKET PROGRAMMES

Subprogramme	Output	Measure/Indicator	Target	Actual
	Reports on progress with GDS implementation within government	Number of GDS progress reports	4 GDS progress reports completed by the end of 2005/06	Four quarterly reports including a consolidated report on the implementation of the GDS Agreement were completed and submitted to the NEDLAC GDS Implementation Committee. A consolidated report was presented at the Presidential Joint Working Group meeting in July 2005.
	Measure, aggregate the impact of policies on the labour market	Labour Market Review	Bi-annual in 2005/06	Labour Market Review published and complemented by Annual Labour Market Bulletin
		Report on state of skills report	Annual in 2005/06	State of Skills report published
International Labour Matters	Influence and shape policies in the International Labour Organisation (ILO) to achieve a decent work agenda	Report compiled and submitted as required by the Constitution of the ILO	Attend annual conference	Successful International Labour Conference and Governing Body Session were attended in June, November 2005, and March 2006, and South Africa remains a titular member of the ILO Governing Body after being re-elected to serve until 2008

PROGRAMME PERFORMANCE

PROGRAMME 4: LABOUR POLICY AND LABOUR MARKET PROGRAMMES

Subprogramme	Output	Measure/Indicator	Target	Actual
NEDLAC	Transfer payment to NEDLAC	<p>Percentage of negotiations engaging business, labour the community and government to reach consensus.</p> <p>Monitor, evaluate and report on the progress of the agreements signed by the stakeholders at the Growth and Development Summit</p>	<p>80% of agreements concluded.</p> <p>Reports due in March 2005</p>	<p>Details of the Programme Performance of NEDLAC are set out in the NEDLAC Annual Report tabled separately in Parliament</p> <ul style="list-style-type: none"> ● A successful 10th Annual Summit presided over by the Deputy President, was held in August 2005 with the theme "Growth, Decent Work, Development and Social Equity". A policy discussion on "International trade and investment, lever for promotion of Economic development and alleviation of Poverty" was held at the Summit ● Collectively the NEDLAC Chambers identified and dealt with more than 40 key priority areas that formed the basis of the work programmes of the Chambers. ● The Executive Council of NEDLAC held two focus sessions on Monetary Policy and Skills Development and ASGI-SA ● The Management Committee of NEDLAC met four times in the period under review and dealt with 14 key outputs <p>The GDS Implementation Committee monitored progress on the implementation of the GDS Agreement. A consolidated report was presented at the Presidential Joint Working Group in July 2005</p>
Sheltered Employment	Restructuring of sheltered employment factories	<p>Submission to Minister on restructuring options, with recommendations.</p> <p>Develop and implement turnaround strategy</p>	<p>Restructuring agreed by April 2005</p> <p>Strategy agreed by March 2005. Implementation by March 2006</p>	<p>See page 43</p> <p>See page 43</p>

PROGRAMME PERFORMANCE

PROGRAMME 5: SOCIAL INSURANCE

Social Insurance contributes to the Unemployment Insurance Fund and provides for the compensation of public servants in case of occupational injuries or illness while on duty through the Compensation Fund. The Unemployment Insurance Fund and the Compensation Fund publish their own Annual Reports in terms of the PFMA.



*The Unemployment Insurance Fund provides benefits to contributors when they become unemployed.
(Foto: Liza van Deventer, Pretoria News)*

PROGRAMME PERFORMANCE

NATIONAL SKILLS FUND

1. Introduction

The National Skills Fund (NSF) was established in terms of the Skills Development Act in 1999. The NSF has received 20% of the skills levy since the introduction of the levy in the year 2000.

The work of the National Skills Fund was given credence when the Minister of Labour announced new Funding Windows of the NSF at the first National Skills Conference in February 2001. The NSF funding windows are aligned to both the thrust and objectives of the National Skills Development Strategy.

2. Aim of NSF

The Skills Development Act stipulates that the money in the NSF may be used only for the projects identified in the National Skills Development Strategy (NSDS) as national priorities or for such other projects related to the achievement of the purposes of the Act as the Director-General of the Department determines.

3. Achievements

The launch of the NSDS 2005 - 2010 required the NSF to review its funding windows and processes to ensure targets and objectives set in the NSDS 2005-2010 are met. The 2005/06 financial year was a transitional year and any financial transactions relevant to the NSF funding windows applicable to the 2000-2005 NSDS has continued to take place in this close-out period.

Output	Measure/Indicator	Target	Actual
Funding allocation to projects and programmes, and monitoring of projects	Proportion of available funds spent and committed.	At least 75% of available funds for 2005/06 spent or committed by March 2006.	57.8% of NSF income was spent or committed by March 2006.
NSDS Objective 1: Prioritising and communicating critical skills for sustainable growth, development and equity	1.2. Information on critical skills widely available to learners and impact measured.	Scarce and critical skills list compiled and distributed.	The updated list and national guide to be published in September 2006.
NSDS Objective 2. Promoting and accelerating quality training for all in the workplace	2.6. Annually increasing number of people benefiting from incentives training for employment or re-employment in new investment and expansion initiatives.	Annually increasing number of people who benefit from incentives training for employment /re-employment in new investments and expansion initiatives.	1 178 new workers of 93 SMEs received training. The NPI established 91 future forums and 47 turnaround strategies in companies to prevent job losses

PROGRAMME PERFORMANCE

NATIONAL SKILLS FUND

Output	Measure/Indicator	Target	Actual
NSDS Objective 3. Promoting employability and sustainable livelihoods	3.1. By March 2010, at least 450 000 unemployed people trained of which 25% undergo accredited training and 70% are placed.	90 000 unemployed people trained and 70% of trained people, placed in employment, self-employment or social development programmes, including EPWP.	103 168 unemployed people were trained and 55 376 were placed
	3.3. By March 2010, 100 000 unemployed people participate in ABET programme, at least 70% achieve ABET Level 4	20 000 unemployed people have participated in ABET Level programmes leading to the achievement of ABET Level 4	Framework and call for applications was completed by end of March 2006
NSDS Objective 4. Assisting designated groups, including new entrants to participate in accredited work-integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment.	4.1. By March 2010, 125 000 unemployed people assisted to enter and 50% complete programmes leading to scarce skills.	NSF contribute to SETA target of 29 568	2 300 learners in ESDLE learnerships supported and 6 941 bursaries awarded
Objective 5. Improving the quality and relevance of provision	5.2. By March 2010, at least two provider institutions per province accredited to manage the delivery of new venture creation qualification.	NSF funding framework for new venture creation delivery grants developed.	Interim guidelines in place
	5.3. Measurable improvement in quality of services delivered by skills development institutions and institutions implementing NQF in support of the NSDS.	SAQA funded by NSF to support ETQAs	R 16,8 million grant paid to SAQA to support SETA Quality Assurance services.
	5.4. NSA constituency based assessment of improvement in stakeholder capacity development	Funding framework developed and tabled to the NSA for consideration.	Draft framework developed and tabled to NSA for consideration

PROGRAMME PERFORMANCE

NATIONAL SKILLS FUND

5. Projects funded under the National Skills Fund

Apart from the NSF contribution to various success indicators of the NSDS, the following comments are worth noting in reference to specific funding windows and projects supported by the NSF.

Social Development Funding Window

R 183,2 million was spent on the training programmes conducted under the Social Development Funding window during 2005/06 up to the end of March 2006.

Of the above mentioned amount spent, R3,34 million was allocated for the training of unemployed people in EPWP-projects. A total of 25 810 unemployed people attended skills development courses linked to these EPWP-projects.

Strategic Projects for NSDS 2005 - 2010

A revised model for Strategic Projects has been developed and discussed with various stakeholders at national and provincial level. Due to a need to align the model with the new imperatives brought about by ASGI-SA/JIPSA- the launch of these projects was delayed and re-scheduled to take place during September 2006.

NSF projects flowing from the NSDS 2001- 2005

The NSF also continued to fund a number of projects flowing from the National Skills Development Strategy 2001 – 2005. Amongst these projects are the following:

Innovation and Research

A total of nine projects were approved by the Director-General under this funding window during 2003. The total amount committed for these projects amounted to R 11,8 million. Seven of the projects were finalised during 2005. The remaining two projects are in the close-out process. The actual payments made with regard to these projects during 2005/06 amounted to R225 828-00.

The two projects mentioned above are:

- Siyavuka Lateral Improvement Foundation (SLIF)

Project objective: To equip unemployed and disadvantaged youth with the skills they require, to enable them to find employment or to start their own micro businesses in Ceramic Design and production.

This project was completed in May 2005. All the learners are working in the Newtown Incubation centre.

PROGRAMME PERFORMANCE

NATIONAL SKILLS FUND

- South African Institute of Chartered Accountants (SAICA)

Project objective: To equip workplace providers with the knowledge and skills to develop prospective professional accountants and to put in place specific strategies to ensure quality training and development opportunities.

SAICA officials visited all 361 identified training venues to assess whether they have the human, information technology and professional resources needed to provide an appropriate learning environment for trainee accountants. SAICA conducted capacity building workshops for more than 200 training officers on the management of learnerships and assessments.

Strategic projects flowing from the NSDS 2001 - 2005

The process of winding down the strategic projects for NSDS 2001 -2005 continued during 2005/06. The NSF prepared draft closure reports as well as guidelines for disposal of assets and return of unused funds.



The NSF funds numerous projects to enable unemployed people to be skilled for possible employment.

By end of March 2006, an amount of R883 million or 74% of the initial R1,1 billion has been disbursed.

- 44 438 learners have benefited from ABET programmes

PROGRAMME PERFORMANCE

NATIONAL SKILLS FUND

- 35 943 people received additional skills from structured learning programmes
- A total of 21 107 SMMEs received skills and other interventions including mentoring
- 9 332 learners received nationally recognised learnership qualifications
- The 17 projects have collectively achieved a learner profile that is 95% Black, 55% women and 0.05% people with disabilities.

6. Other major expenditures

6.1 SARS Collection costs

The Skills Development Levies Act determines that the cost of collection incurred by the South African Revenue Service (SARS) for the collection of the skills development levies, interest and penalties must be refunded from the National Skills Fund to SARS. The amount claimable by SARS may however not exceed 2% of the total amount of skills development levies so collected.

In 2005/06 the amount paid to SARS amounted to R55,052 million.

PROGRAMME PERFORMANCE

SUBPROGRAMME: SHELTERED EMPLOYMENT

Measurable Objective: Ensure the effectiveness of sound administrative, production and financial control of the sheltered employment factories for people with disabilities.

Subprogramme	Output	Measure/Indicator	Target	Actual
Sheltered Employment Factories	Restructuring of Sheltered Employment Factories	Submission to Minister on restructuring options, with recommendations.	Restructuring agreed by April 2005.	Turnaround strategy approved and implementation commenced during the period under review
		Develop and implement turnaround strategy.	Strategy agreed by March 2005. Implementation by March 2006.	

SECTION 3

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2006.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and meets four times per annum as per its approved terms of reference. During the current year four meetings were held.

Name of Member	Number of meetings attended
JMB Maswanganyi (Chairperson)	4
R Rhoda	4
GJ Sandrock (resigned 30 June 2005)	1

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of internal control

Department of Labour

Treasury requires that the Department of Labour make use of transversal IT systems. The systems are the Basic Accounting System (BAS), PERSAL and LOGIS. The Auditor-General has reported that these systems cannot be relied upon due to inherent limitations and deficiencies. The qualification reported by the Auditor-General, was a direct result of these deficiencies.

Recommendations on improvements to financial and operational controls were noted, and actions are planned to correct these specified control weaknesses.

National Skills Fund

Regarding the NSF the major issue raised by the Auditor-General pertains to the structure and accountability framework. This resulted in the qualified audit opinion of the financial statements of the NSF. Treasury requires that the Department of Labour make use of transversal IT systems. The system utilised is the Basic Accounting System (BAS), which does not cater for accrual accounting.

Recommendations on improvements to financial and operational controls were noted, and actions are planned to correct these specified control weaknesses.

Sheltered Employment Factories

Regarding the Sheltered Employment Factories (SEF) the major issue raised by the Auditor-General pertains to the lack of appropriate documented and approved policies and a procedure framework, as well as lack of independent checks and reconciliations. This is mainly due to the lack of a structure and accountability framework. This resulted in the disclaimer audit opinion of the financial statements of the SEF. The shortcomings pertaining to the financial statements were noted.

Recommendations on improvements to financial and operational controls were noted, and actions are planned to correct these specified control weaknesses.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with the Chief Financial Officer and the Accounting Officer the audited annual financial statements to be included in the annual report
- Reviewed the Auditor-General's management letters and management responses
- Reviewed changes in accounting policies and practices
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.



Mr. JMB Maswanganyi
Chairperson of the Audit Committee
Date: 2006/08/16

SECTION 4

ANNUAL FINANCIAL STATEMENTS

Department of Labour - Vote 17
Annual Financial Statements for the year ended 31 March 2006

Contents

Report of the Auditor-General	47
Report of the Accounting Officer	51
Accounting Policies	64
Appropriation Statement	73
Notes to the Appropriation Statement	80
Statement of Financial Performance	83
Statement of Financial Position	84
Statement of Changes in Net Assets	85
Cash Flow Statement	86
Notes to the Annual Financial Statements	87
Disclosure Notes to the Annual Financial Statements	94
Annexures	106



1. AUDIT ASSIGNMENT

The financial statements as set out on pages 51 to 116, excluding fixed assets opening balances contained in annexure 3 on pages 112 to 113, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). This exclusion relates to the timing of guidance from National Treasury. These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Accounting Officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with general notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and general notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The Department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as described in note 1.1 to the financial statements.

4. QUALIFICATIONS

Asset management

A LOGIS report could not be generated to substantiate the non-cash additions amounting to R21 233 000, which was included in the total additions of R33 849 000 reflected in annexure 3 to

the annual financial statements. As a result I am unable to satisfy myself as to the accuracy and valuation of additions disclosed in annexure 3.

The assets acquired through the public private partnership (PPP) agreement are included with no values in the PPP fixed asset register. Consequently, the department did not disclose the value of the assets in the annual financial statements.

5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the Department of Labour at 31 March 2006 and the results of its operations and cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 to the financial statements, and in the manner required by the PFMA.

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

6.1 Independent checks and reconciliations

Travelling and subsistence expenditure – reconciliation between PERSAL and BAS

As a result of a lack of a proper management framework for performing independent checks as well as reconciliations, the reconciliation between PERSAL and BAS in respect of travelling and subsistence expenditure for the period 1 April 2005 to 31 March 2006 was not performed by the Department on a monthly basis.

The Department subsequently submitted a PERSAL and BAS reconciliation in respect of travel and subsistence expenditure during the course of the audit.

6.2 Monitoring

As a result of a lack of a proper management monitoring framework no procedures were set by management to monitor the:

- utilisation of subsidised vehicles, resulting in 69.11% of subsidised vehicles being under-utilised
- adherence to Treasury Regulation 8.3.4, resulting in inadequate certification of payroll reports
- adherence to Treasury Regulation 8.3.5, resulting in not all pay-point certificates being returned on a monthly basis
- adherence to Treasury Regulation 8.2.3, resulting in expenditure approval forms not being

Department of Labour - Vote 17
Report of the Auditor-General for the year ended 31 March 2006

attached to payment advices. Consequently, irregular expenditure as noted in note 25 has occurred

- adherence to Treasury Regulation 16A 6.1, resulting in expenditure being incurred prior to it being authorised by the subtender committee or payments being made without the appropriate tender process being followed. Consequently, irregular expenditure of R927 000 has occurred.

6.3 Performance information

The performance information (specifically the measurable objectives and the measures/indicators) reflected in the annual report did not agree with the performance information in the *Estimates of national expenditure* (ENE) for 2005-06 and the objectives as per the approved strategic plan.

The Department did not comply with Treasury Regulation 5.3.1 that requires the Department to submit quarterly reports regarding measurable objectives. Currently, reporting seems to be limited to the workplan of the Department.

Actual performance was not consistently reported on against the relevant measure/indicator and did not relate to the measure/indicator set, but merely described the activities/projects performed by the Department.

6.4 Physical security of resources: Inventory

The entity did not have adequate policies and procedures regarding inventory and as a result some inventory items on hand at year-end were not counted.

Weaknesses in the management of old, obsolete and slow-moving stock were detected as the Department did not maintain and monitor complete and accurate records of such stock.

6.5 Policy framework

6.5.1 Staff debtors – irrecoverable

The entity did not have an appropriate policy and procedure framework to write off irrecoverable loans. Staff debt, which has been outstanding for longer than three years (R8 513 918) and longer than 10 years (R2 065 750) are disclosed in notes 13 and 29 to the annual financial statements.

6.5.2 Human resource plan (HR plan)

The Department did not define, in the form of an HR plan, the posts necessary to perform the relevant functions, based on the strategic plan of the Department. This represented non-compliance with part 111, B.2 (a) and (c) of the Public Service Regulations (PSR) 2001.

6.5.3 Supply chain management

An approved supply chain management policy as required by Treasury Regulation 16A 3.1 could not be provided for audit purposes.

6.6 Performance audit

Inspection and enforcement services

Reporting

- Database – recording of accidents

No national database with reliable statistics of accidents and incidents of ill-health of all role players exists, to indicate the full extent of work-related injuries and diseases.

- Incidents on Occupational Safety System (IOSS)

The IOSS was only functional at provincial office level as no timeframes were set for the implementation thereof at labour centres.

Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA)

- Underutilisation of training centre

The assessment function, which was previously offered only by INDLELA, has been decentralised to the provinces and private firms.

The follow-up audit confirmed that:

- the anticipated increase in candidates to be assessed and
- the optimal utilisation of facilities,

had not been realised through the remedial actions implemented.

7. APPRECIATION

The assistance rendered by the staff of the Department of Labour during the audit is sincerely appreciated.



N. Manik
for Auditor-General
Pretoria
29 July 2006

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa:

1. General review of the state of affairs

An enabling labour market environment

Creating employment is the biggest challenge facing government and a key instrument for fighting poverty. The Department of Labour formulates labour market policies that provide an enabling environment for job-creation. High quality products and services for successful competition in national and international markets can't be produced with low quality production methods, poor working conditions and an unhealthy working environment. Good labour practices, healthy and safe working environments, no discrimination and employment equity means good business. And by setting and enforcing norms and standards, the Department seeks to ensure that existing and new jobs do not jeopardise workers' health and safety.

The National Skills Development Strategy for 2005 to 2010 will play a key role in realising government's goal of halving the country's unemployment by 2014. Learnerships and internships targeted at unemployed youth are critical to addressing unemployment. An Adult Basic Education and Training Policy, driven through the National Skills Development Strategy, aims to enhance the basic skills of people beyond their school-going years and tackle long-term unemployment. The Expanded Public Works Programme targets the unemployed to provide them with working experience, equip them with skills for further employment and is also a poverty alleviation measure. The Department also supports SMMEs as part of its contribution to employment creation.

The Department seeks to encourage and improve labour productivity in South Africa by designing and managing a sound labour relations regime, managing the Unemployment Insurance Fund in the interests of the unemployed, managing the Compensation Fund to ensure that workers are compensated for occupational injuries and diseases, and promoting an effective skills development strategy. Highlighting government's commitment to creating employment, the Growth and Development Summit was held in June 2003. The Department of Labour coordinated government's input, and the Director-General of Labour has convened a GDS Agreement Implementation Steering Committee, which monitors the implementation of agreements arising from the summit.

Enhancing skills development

The Skills Development Act (1998) and the Skill Development Levies Act (1999) seek to address the skills shortage by encouraging and supporting training across all sectors of the economy through the SETAs.

The National Skills Development Strategy (NSDS) was reviewed and launched by the Minister in 2005. It seeks to prioritise certain areas of work and direct skills funding. Some key principles are to support economic growth for employment creation and poverty eradication, promote productive and equitable citizenship by aligning skills development

with national strategies for growth and development, and accelerate Broad-Based Black Economic Empowerment and employment equity. The equity targets require that 84% of all beneficiaries of the National Skills Development Strategy be Black, 54% female and 4% people with disabilities.

Employment equity

The Department continues to engage with NEDLAC's Employment Equity Task Team coordinating the outcomes of the Growth and Development Summit. An Employment Equity Awards System has been developed to encourage and give recognition to employers who comply with the Act, and is due to be implemented by the end of March 2007. To improve the implementation of the Employment Equity Act, 1998, the Department intends to introduce amendments to the Employment Equity Regulations. The amendments aim to refine data collection, tighten the enforcement of the Employment Equity Act, 1998 and improve the Department's operations for employment equity. To improve substantive compliance, the Director-General Review System has been developed and is due for implementation. The Department has published a Code of Good Practice on the Integration of Employment Equity into Human Resources Policies and Practices, and amendments to the Code of Good Practice on the Handling of Sexual Harassment Cases in the Workplace. To improve employment equity reporting by employers, the Department has introduced Employment Equity Online Reporting Services and continued with national road shows.

To assess the impact of the implementation of the Employment Equity Act since its inception, an impact study will be commissioned. Efforts are continuing to align the Broad-Based Black Economic Empowerment Act with the Employment Equity Act, through ongoing participation in discussions with the Department of Trade and Industry regarding the development of the BBBEE Codes of Good Practice.

Protection of vulnerable workers

The protection of workers has advanced through investigations into minimum wages and working conditions in a number of sectors. Substantial progress was made with the data collection in respect of the hospitality investigations which includes the review of four sectoral determinations. The welfare investigation has been reprioritised for completion later in 2006 and is still on track. The Department published and launched the sectoral determination for the taxi sector in April 2005, which covers minimum wages and conditions of employment. Wages for contract cleaners have been reviewed and increases published for implementation on 26 November 2004.

It is envisaged that the implementation of the Child Labour Programme of Action (CLPA) and subsequent awareness raising will be an area of focus for the coming years once the policy is ratified by Cabinet. Progress has been made with the alignment of child labour institutional structures according to the policy framework developed by the Office on the Rights of the Child in the Presidency. Worst forms of child labour received attention and projects on Commercial and Sexual Exploitation of Children, Child Trafficking and Children used by adults to commit illegal activities have started and are well underway.

Extension of collective agreements

A total of 45 collective agreements have been extended to non-parties covering 1 079 693 workers. The extended agreements have in essence extended minimum wages and social benefits to a number of workers falling within the registered scope of various bargaining councils who might have been previously excluded from enjoying these benefits. When extending these agreements, the Department ensures that the bargaining councils submit reports on exemptions in order to ensure that the bargaining councils take into consideration concerns of small businesses. The exemptions of small businesses from certain clauses of collective agreements are in line with the Growth and Development Summit strategy of job creation and retention. Out of 1 380 exemption applications received from small businesses, 76% of them were granted.

Strengthening social protection

Over the medium term, the Department aims to strengthen social protection by improving the services provided by the Unemployment Insurance Fund and the Compensation Fund. Occupational health and safety functions are currently fragmented, with varying responsibilities falling under the Departments of Labour, Health, and Minerals and Energy. These three line Departments have collaborated to develop a Draft National Policy in line with the Cabinet decision to integrate occupational health and safety, and compensation functions.

Legislative reforms have contributed to improving revenue flows and the accumulation of significant cash surpluses in the Unemployment Insurance Fund. A joint working group of National Treasury and the Unemployment Insurance Fund and their actuaries will examine these reserves and how best to manage them.

The key challenge for the Fund now is to sustain these gains and improve service delivery. This involves recruiting and re-skilling staff, especially in the financial area, as well as institutional reform to support the new business environment. Key priorities for the Fund until 2007 are to finalise and improve the employer and employee database and improve support to database users.

Service delivery

The Department of Labour is committed to effectively implementing its policies. Integrating the services offered by labour centres and business units has helped improve the quality of and access to these services and staff have been empowered by the multi-skilling approach. The Career Information and Guidance System (CIGS) was developed and successfully piloted at the National Skills Development Strategy 2005-2010 Conference, and subsequently piloted in large labour centres in all provinces. The programme promises the delivery of quality employment services to job seekers and registration of learnerships. The CIGS is part of an Employment Services System that is being developed for implementation in 2007, whose main purpose is to match the demand and supply of labour. At the end of the pilot, the programme will be rolled out in collaboration with the Umsobomvu Youth Fund and implemented in all our labour centres and at Multipurpose Community Centres.

The Public Private Partnership with Siemens Business Services has created a call centre, of international standards which provides improved services to clients and result in efficiency gains in the Department's administration.

Monitoring and controlling the impact of labour market policies

More research to monitor progress with the implementation of labour legislation and its impact on the labour market has been done. This research also analyses and evaluates labour policy and provides ongoing, updated data and statistics for the labour market. A five-year research, monitoring and evaluation programme has been developed by the Department to continually measure the impact of its interventions.

Table 17.1

Expenditure trends

The Department's non-statutory expenditure decreased between 2002/03 and 2004/05 due to the success of the Unemployment Insurance Fund's (UIF) turnaround strategy. Expenditure is however expected to rise with an average annual nominal growth of 6,7% over the Medium Term Expenditure Framework (MTEF) period.

The statutory allocations are expected to rise steadily, rising from R 3,2 billion in 2002/03 to R 6, 5 billion in 2008/09.

Reason for under-spending

Under-spending is mainly due to an under-utilisation on compensation of employees as well as Capital Projects not finalised during the previous financial year.

2. Services rendered by the Department

- *Occupational health and safety of people:* promote the health and safety of people at work, through legislation
- *Social insurance:* contributes to the Unemployment Insurance Fund and provides for the compensation of civil servants in case of accidents or illnesses contracted while on duty
- *Employment and skills development services:* focus on the promotion and regulation of the skills development strategy. It funds contributions to the National Productivity Institute
- *Labour relations:* promote the establishment of an equitable and peaceful labour relations environment
- *Labour policy:* includes research, analysis, evaluation and development of labour policy and the provision of statistical information on the labour market. The programme provides for contributions to sheltered employment factories and to various national institutions for people with disabilities
- *Service delivery:* includes the enforcement of the labour laws and the provision of a one-stop service through the establishment of business units in the provincial offices of the Department.

3. Capacity constraints

Due to the Department's successful implementation of staff training and development initiatives, the Department finds itself losing staff to other government departments and the private sector, which puts a strain on our capacity to effectively deliver our services. However, the Department's vacancy rate is now contained at acceptable levels. Excluding learnerships and internships, the vacancy rate in the Department is below 6%, which is a remarkable achievement by international standards.

4. Utilisation of donor funds

Donor funds were received from the Netherlands and the European Union for the development of skills in South Africa. Projects funded from the Netherlands were already finalised during the 2003/04 financial year and the surplus of R913 796.86 was paid back during the 2006/07 financial year. The EU Project ended on 30 December 2004. An amount of R7 239 717.67 was drawn from the EU RDP Account to settle all outstanding liabilities inherited before 30 December 2004. A Total amount of R4 252 917.99 was used to pay all outstanding liabilities until June 2005, and a refund of R2 986 799.68 was made to the EU RDP account. The Department also received Technical assistance from the German Technical Cooperation Agency (GTZ) under the Republic of South Africa Federal Republic of German Technical Cooperation Agreement.

5. Trading entities/public entities

The following public entities listed in Schedule 3 of the Public Finance Management Act, No. 1 of 1999, report 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)
- National Productivity Institute (NPI)
- Sectoral Education and Training Authorities (SETAs)
- Unemployment Insurance Fund (UIF)
- Umsombomvu Youth Fund (UYF)

Commission for Conciliation Mediation and Arbitration (CCMA)

This Commission was established in terms of section 112 of the Labour Relation Act, 1995 (LRA).

The Commission's functions are 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 to a dispute about the procedure to follow in terms of this Act

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

- Assist a party to a dispute to obtain legal advice, assistance or representation
- 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 asked 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, workers, employers, registered trade unions, registered employers' organisations or councils with advice or 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.

Compensation Fund

The Compensation Fund was established in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (COIDA).

The functions of the Fund are to provide compensation resulting from:

- Occupational injuries
- Diseases
- Death of a worker in the course of his/her employment.

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 NEDLAC 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 coordinated policy on social and economic matters.

Furthermore, and to achieve the above, NEDLAC:

- May make investigations as it may consider necessary and shall continually survey and analyse social and economic affairs
- Shall keep abreast of international developments in social and economic policy
- Shall continually evaluate the effectiveness of legislation and policy affecting social and

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

economic policy

- May conduct research into social and economic policy
- Shall work in close cooperation with government departments, statutory bodies, programmes and other forums and non-governmental agencies, engaged in the formulation and the implementation of social and economic policy.

National Productivity Institute (NPI)

This is a section 21 Company (Incorporated association without gain), established under the Companies Act, 1973.

The functions of the NPI are to:

- Promote, develop capacity and facilitate partnerships in national productivity drives
- Disseminate information on the nation's productivity performance and productivity improvement experiences
- Initiate relevant productivity improvement approaches and techniques
- Influence the creation of a conducive socio-economic, legislative and policy environment for ongoing productivity improvement and for South Africans to adopt a culture of sustainable productive practices.

Sectoral Education and Training Authorities (SETAs)

23 Sectoral Education and Training Authorities (SETAs) were established in terms of the Skills Development Act, 1998.

The SETAs are as follows:

- Bank Sector Education and Training Authority
- Chemical Industries Education and Training Authority
- Clothing, Textiles, Footwear and Leather Sector Education and Training Authority
- Construction Education and Training Authority
- Safety and Security Sector Education and Training
- Education, Training and Development Practices Sector Education and Training Authority
- Energy Sector Education and Training Authority
- Financial and Accounting Services Training Authority
- Food and Beverages Manufacturing Industry Sector Education and Training Authority
- Forest Industries Sector Education and Training Authority
- Health and Welfare Sector Education and Training Authority
- Information Systems, Electronics and Telecommunications Technologies Training Authority
- Insurance Sector Education and Training Authority
- Local Government, Water and Related Services Sector Education and Training Authority
- Manufacturing, Engineering and Related Services Sector Education and Training Authority
- Media, Advertising, Publishing, Printing and Packaging Training Authority
- Mining Sector Education and Training Authority
- Agriculture Sector Education and Training Authority

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

- Public Sector Education and Training Authority
- Services Sector Education and Training Authority
- Tourism and Hospitality Education and Training Authority
- Transport Education and Training Authority
- Wholesale and Retail Sector Education and Training Authority

The functions of the SETAs are to:

- Develop sector skills plans within the framework of the national skills development strategy
- Implement sector skills plans through establishing learnerships
- Approve workplace skills plans
- Allocate grants in the prescribed manner to employers, workers, and education and training providers
- Monitor education and training in the sector
- Promote learnerships by identifying workplaces for practical work experience and registering learnerships
- Section 3 and 4 of the Skills Development Levies Act (Act no. 9 of 1999), determines which employers are required to contribute levies. Based on the Skills Development Levy database of the South African Revenue Service, there are employers who are required to contribute levies in terms of section 6 (2) of the Act, who might fail to pay such levies and therefore the income of the National Skills Fund and the SETA's for the reporting year, may be understated by an unknown amount.

Unemployment Insurance Fund (UIF)

The Unemployment Insurance Fund was established in terms of the Unemployment Insurance Act, 2001.

The functions of the Fund are to provide short-term income replacement in case of:

- Unemployment
- Short-term sickness
- Maternity
- Death
- Adoption of a child.

Umsombomvu Youth Fund (UYF)

In 1998, the Minister of Finance announced Government's decision to set aside R855 million to create the Umsombomvu Youth Fund, a section 21 company. The purpose of the Fund is to facilitate skills development and job creation for the youth. Skills Development Programmes are divided into Community Youth Service (CYS) and School to Work (StW). CYS is aimed at providing the youth with skills whilst they provide service to their community. StW is aimed at assisting young people to enter high level careers that are scarce and currently not occupied by Blacks. The Umsombomvu Youth Fund has implemented 12 Youth Advisory Centres. These centres offer information and counselling support regarding career

development, employment and entrepreneurship. The Business Development Support Voucher Programme (BDSVP) that the Fund launched in November 2002 was rolled out in March 2003. The Entrepreneurship Finance Programme consist of three products, namely Micro Finance (loans between R1 000 and R50 000); SME Finance (loans between R100 000 and R5 million) provided through the Progress Fund (a partnership with FNB and Momentum) and the Franchise Fund (a partnership with Business Partners) and Cooperatives.

Other entities

Sheltered employment

Sheltered employment subsidises workshops for the blind and 13 work centres for people with disabilities.

6. Organisations to whom transfer payments have been made –

(See Annexure 1 of the Financial Statements)

7. Public/private partnership (PPP)

See disclosure note 28 to Financial Statements for details in this regard.

8. Corporate governance arrangements

Governance structures and responsibilities

The following governance structures have been put in place to assist with ensuring good governance within the Department of Labour:

- The Minister is the Executive Authority of the Department
- In terms of the Public Finance Management Act, the Head of the Department, the Director-General is the Accounting Officer of the Department
- The Accounting Officer is individually and personally accountable for achieving good value for money, safeguarding and maintenance of the assets, regularity and propriety in the administration of the Department. Programme performance as well as asset management information is disclosed in Section B of the Annual Report
- Management Committee comprises of the Minister, Director-General and Deputy Directors-General – dealing with administrative matters of the Department
- The Strategic Management Committee (Stratcom) – comprises the Director-General and Deputy Directors-General. This committee is responsible for continued monitoring and oversight of governance in the Department once the governance steering committee's mandate ends and as well as strategic issues
- The Budget Advisory Committee –determines the total budget for the Department and allocation of funds to Programmes and Provinces
- Departmental Executive Committee (DEXCOM) –includes the Director-General, the Deputy Directors-General, all Senior Executive Managers, the Chief Information Officer,

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

the Chief Financial Officer, the UIF and CF Commissioners and the Provincial Executive Managers

- Audit Committees –function at Head Office, the Compensation Fund and Unemployment Insurance Fund levels.

The following structures were established in terms of the following Acts.

Structure	Act
Unemployment Insurance Fund Board	Unemployment Insurance Act, 2001
Compensation Board	Compensation for Occupational Injuries and Diseases Act, 1993
National Skills Authority (NSA)	Skills Development Act, 1998
Commission for Employment Equity (CEE)	Employment Equity Act, 1998
Employment Conditions Commission (ECC)	Basic Conditions of Employment Act, 1997
SETAs	Skills Development Act, 1998
National Productivity Institute (NPI)	Companies Act
National Economic Development and Labour Council (NEDLAC)	NEDLAC Act, 1994
Advisory Council for Occupational Health and Safety	Occupational Health and Safety Act, 1993
Umsobomvu Youth Fund	Companies Act, 1973

To ensure that these structures function in terms of the relevant legislation in respect of which they were established, clear terms of reference must direct the functions and responsibilities of these structures. The Department's Strategic Plan sets out the objectives and actions that must be taken to ensure the achievement of government's labour market objectives. These objectives and actions then translate into the roles and responsibilities of the Department in achievement of the strategic plan. The 10 objectives for 2004 to 2009 are the following:

1. Contribution to employment creation
2. Enhancing skills development
3. Promote equity in the labour market
4. Protecting vulnerable workers
5. Strengthening multilateral and bilateral relations
6. Strengthening social protection
7. Promoting sound labour relations
8. Strengthening the capacity of labour market institutions
9. Monitoring the impact of legislation
10. Strengthening the institutional capacity of the Department.

The organisational structure supports the achievement of the Department's objectives and is developed in accordance with the Department's values.

Organisational structures within the Department's Programmes support the achievement of

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

Programmes' objectives, which are in alignment with the Department's objectives. Organisational structures enhance the appropriate balance of power and authority as espoused in the Department's values.

Organisational structures support the reporting of fraud, corruption or mal administration, and the protection of the person disclosing bona fide information.

Governance committees

There are numerous committees that have been put in place by the Department to ensure that its objectives are met. Some of these are specific to the different programmes in the Department and the different areas of responsibility. However, the Accounting Officer is required by the Treasury Regulations to appoint an audit committee as a sub-committee of the Accounting Officer.

Audit Committee

The Accounting Officer has approved an Audit Committee for the Department and Audit Committees for the Unemployment Insurance Fund (UIF) and Compensation Fund (CF). The chairpersons of the two audit committees of the two Funds are members of the Audit Committee of the Department. The Main Audit Committee of the Department is also responsible for the oversight over the National Skills Fund and the Sheltered Employment Factories.

The Department's Audit Committee consists of:

- Independent Non-executive Chairperson (Mr. JMB Maswanganyi)
- Independent Non-executive member (Vacant)
- The Chairperson of the Unemployment Insurance Fund (UIF) Audit Committee (independent non-executive)
- The Chairperson of the Compensation Fund (CF) Audit Committee (independent non-executive).

The following people are permanent invitees:

- Director-General
- Deputy Director-General of Corporate Services
- Chief Financial Officer
- Unemployment Insurance Commissioner
- Compensation Commissioner
- Head of Internal Audit
- Representatives of the Auditor-General.

The Main Audit Committee of the Department is also responsible for the oversight over the National Skills Fund and Sheltered Employment Factories.

Risk management

The Department's enterprise wide risk assessment identified the following risk categories which, may be amended from time to time as circumstances change:

- Strategic issues
- Asset management
- Fleet services
- Human resources
- Marketing communications
- Information technology
- Procurement
- Financial management
- Security
- Labour legislation
- Additional risks.

Risk management at the Department includes ensuring that fraud risk management systems and processes are in place. A fraud risk management plan as well as an evaluation of the fraud risks of each Fund and provincial office has been completed. This includes:

- Identifying fraud, corruption and maladministration risks
- Determining the causes of the risk (what leads to the risk occurring)
- Identifying controls that can mitigate the risk to an acceptable level
- Ensuring that there are processes in place to monitor and report on these risks.

The Compensation Fund has a risk manager and the Unemployment Insurance Fund has a risk management unit both of which concentrate on fraud risks.

Directorate of Internal Audit

The Directorate of Internal Audit in the Department has the responsibility, as part of its strategic plan, to identify the major activity areas of the Department and to base their planning on the Department's significant risk areas. As part of the assessment of risk and during their audit fieldwork, they will also take into account the risks of fraud, corruption and maladministration.

This risk assessment combined with the existence and effective operations of internal controls, and an appropriate level of management oversight, are major factors in determining the frequency and nature of audit coverage. In general the majority of units within the Department are audited once every three years.

The Directorate of Internal Audit will undertake requests for special investigations received from all levels of management of the Department and the Audit Committee.

The Directorate of Internal Audit provides additional value added assistance to management, by facilitating control self assessment workshops and participating in training

Department of Labour - Vote 17
Report of the Accounting Officer for the year ended 31 March 2006

courses within the Department, which focus on financial and administrative controls, fraud, corruption and maladministration prevention.

Fraud Prevention Plan

A separate Fraud Prevention Plan for the Department has been developed, building on the existing good governance strategy, which can be referred to for more information.

The Unemployment Insurance Fund has implemented a Fraud Hotline. However, this service has not been implemented for the Department as a whole. In line with the Department of Public Service and Administration and the Public Service Commission the Department makes use of one Fraud Hotline administered by the Public Service Commission.

9. Events after the reporting date

None

Approval

The Annual Financial Statements from page 51 to page 116 have been approved by the Accounting Officer.



Dr. VM Mkosana
Director-General of Labour

Date: 30 May 2006

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 2005.

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 or when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

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.

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

2. Revenue

2.1 Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Department of Labour - Vote 17
Accounting Policies for the year ended 31 March 2006

Total appropriated funds are presented in the Statement of Financial Performance.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund, unless approval has been given by the National/Provincial Treasury to roll-over the funds to the subsequent financial year. These roll-over funds form part of retained funds in the Annual Financial Statements. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

2.2 Departmental revenue

All departmental revenue is paid into the National/Provincial Revenue Fund when received, unless otherwise stated. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

2.2.1 Tax revenue

Tax revenue consists of all compulsory unrequited amounts collected by the Department in accordance with laws and or regulations (excluding fines, penalties and forfeits).

Tax receipts are recognised in the Statement of Financial Performance when received.

2.2.2 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the Statement of Financial Performance when the cash is received.

2.2.3 Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory unrequited amounts which were imposed by a Court or quasi-judicial body and collected by the Department. Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

2.2.4 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the Statement of Financial Performance when the cash is received.

2.2.5 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the Statement of Financial Performance when the cash is received.

2.2.6 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the Statement of Financial

Department of Labour - Vote 17
Accounting Policies for the year ended 31 March 2006

Performance on receipt of the funds. Amounts receivable at the reporting date are disclosed in the Disclosure Notes to the Annual Financial Statements.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the Statement of Financial Performance when the cheque becomes stale. When the cheque is re-issued the payment is made from Revenue.

2.2.7 Gifts, donations and sponsorships (transfers received)

All cash gifts, donations and sponsorships are paid into the National/Provincial Revenue Fund and recorded as revenue in the Statement of Financial Performance when received. Amounts receivable at the reporting date are disclosed in the Disclosure Notes to the Financial Statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in the Annexures to the Financial Statements.

2.3 Local and foreign aid assistance

Local and foreign aid assistance is recognised in the financial records when notification of the donation is received from the National Treasury or when the Department directly receives the cash from the donor(s). The total cash amounts received during the year is reflected in the Statement of Financial Performance as revenue.

All in-kind local and foreign aid assistance are disclosed at fair value in the Annexures to the Annual Financial Statements.

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the Statement of Financial Performance. A receivable is recognised in the Statement of Financial Position to the value of the amounts expensed prior to the receipt of the funds.

A payable is raised in the Statement of Financial Position where amounts have been inappropriately expensed using local and foreign aid assistance. Unutilised amounts are recognised in the Statement of Financial Position.

3. Expenditure

3.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages 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). Capitalised compensation forms part of the expenditure for capital assets in the Statement of Financial Performance.

All other payments are classified as current expense.

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

3.1.1 Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages 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).

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

3.1.2 Long-term employee benefits

3.1.2.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the Statement of Financial Performance as a transfer when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.1.2.2 Post employment retirement benefits

The Department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund 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/Provincial Revenue Fund and not in the Financial Statements of the employer department.

The Department provides medical benefits for certain of its employees. Employer

contributions to the medical funds are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

3.2 Goods and services

Payments made 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 services were used on a capital project.

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.

3.4 Financial transactions in assets and liabilities

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 amounts are disclosed as a disclosure note.

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

3.5 Unauthorised expenditure

When discovered 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 recognised in the Statement of Financial Performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the Statement of Financial Performance on the date of approval.

3.6 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written-off as irrecoverable in the Statement of Financial Performance.

3.7 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.

3.8 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).

3.9 Expenditure for capital assets

Payments made for capital assets 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).

4. Assets

4.1 Cash and cash equivalents

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

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 Prepayments and advances

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made.

4.3 Receivables

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

Revenue receivable not yet collected is included in the Disclosure Notes. Amounts that are potentially irrecoverable are included in the Disclosure Notes.

4.4 Investments

Capitalised investments are shown at cost in the Statement of Financial Position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the Statement of Financial Performance.

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.

4.5 Loans

Loans are recognised in the Statement of Financial Position at the nominal amount. Amounts that are potentially irrecoverable are included in the Disclosure Notes.

4.6 Inventory

Inventories on hand at the reporting date are disclosed at cost in the Disclosure Notes.

5. Liabilities

5.1 Payables

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

5.2 Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These 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.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the Annexures to the Financial Statements.

5.3 Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

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.

5.4 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department; or

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are included in the Disclosure Notes.

5.5 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date.

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.

6. Net Assets

6.1 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 transferred to the National/Provincial Revenue Fund on disposal, repayment or recovery of such amounts.

6.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made and recognised in a previous financial year becomes recoverable from a debtor.

7. Related party transactions

Related parties are departments that control or significantly influence the Department in making financial and operating decisions. Specific information with regards to related party transactions is included in the Disclosure Notes.

8. Key management personnel

Key management personnel are those people having the authority and responsibility for planning, directing and controlling the activities of the Department.

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

9. Public private partnerships

A public private partnership (PPP) is a commercial transaction between the Department and a private party in terms of which the private party:

Department of Labour - Vote 17
Accounting Policies for the year ended 31 March 2006

- Performs an institutional function on behalf of the institution; and/or
- acquires the use of State property for its own commercial purposes; and
- assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of State property; and
- receives a benefit for performing the institutional function or from utilising the State property, either by way of:
 - consideration to be paid by the Department which derives from a Revenue Fund
 - charges fees to be collected by the private party from users or customers of a service provided to them; or
 - a combination of such consideration and such charges or fees.

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.

Department of Labour - Vote 17
Appropriation Statement for the year ended 31 March 2006

Appropriation per programme									
	2005/06							2004/05	
	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
1. Administration									
Current payment	235 319	-	(46)	235 273	215 636	19 637	91.7	224 136	213 502
Transfers and subsidies	167	-	46	213	195	18	91.5	206	148
Payment for capital assets	3 194	-	-	3 194	2 836	358	88.8	43 695	34 280
2. Service Delivery									
Current payment	561 186	-	(880)	560 306	522 276	38 030	93.2	430 203	422 094
Transfers and subsidies	1 546	-	819	2 365	2 221	144	93.9	2 694	2 566
Payment for capital assets	7 933	-	61	7 994	7 810	184	97.7	54 900	4 309
3. Employment and Skills Development Services/Human Resources Development									
Current payment	75 350	-	(1 501)	73 849	52 334	21 515	70.9	71 486	50 848
Transfers and subsidies	64 365	-	55	64 420	64 367	53	99.9	61 435	61 361
Payment for capital assets	2 864	-	-	2 864	727	2 137	25.4	3 051	282
4. Labour Policy and Labour market Programmes									
Current payment	80 486	(20 452)	937	60 971	60 837	134	99.8	57 077	45 520
Transfers and subsidies	266 592	20 452	1	287 045	286 928	117	100.0	257 696	252 351
Payment for capital assets	735	-	508	1 243	1 243	-	100.0	578	74
5. Social Insurance									
Current payment	-	-	-	-	-	-	0.0	-	-
Transfers and subsidies	9 001	-	-	9 001	4 931	4 070	54.8	21 540	8 013
Payment for capital assets	-	-	-	-	-	-	0.0	-	-
Subtotal	1 308 738	-	-	1 308 738	1 222 341	86 397	93.4	1 228 697	1 095 348
Statutory appropriation									
Current payment	-	-	-	-	-	-	0.0	-	-
Transfers and subsidies	4 883 330	-	-	4 883 330	4 883 330	-	100.0	4 725 396	4 725 396
Payment for capital assets	-	-	-	-	-	-	0.0	-	-
Total	6 192 068	-	-	6 192 068	6 105 671	86 397	98.6	5 954 093	5 820 744
Reconciliation with Statement of Financial Performance									
Add: Prior year unauthorised expenditure approved with funding									
Departmental receipts				4 811				4 465	
Local and foreign aid assistance received				11 000				10 000	
Actual amounts per Statements of Financial Performance (Total revenue)				6 207 879				5 968 558	
Add: Local and foreign aid assistance					7 240				24 270
Prior year unauthorised expenditure approved					-				
Prior year fruitless and wasteful expenditure authorised					-				
Actual amounts per Statements of Financial Performance (Total expenditure)					6 112 911				5 845 014

Department of Labour - Vote 17
Appropriation Statement for the year ended 31 March 2006

Appropriation per economic classification									
	2005/06							2004/05	
	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
Current payments									
Compensation of employees	475 342	-	(3 501)	471 841	425 317	46 524	90.1	399 711	371 495
Goods and services	476 999	(20 452)	2 000	458 547	425 755	32 792	92.8	382 669	359 947
Financial transactions in assets and liabilities	-	-	11	11	11	-	100.0	522	522
Transfers and subsidies									
Provinces and municipalities	1 457	-	(26)	1 431	1 278	153	89.3	1 291	1 095
Departmental agencies and accounts	326 460	20 452	-	346 912	342 842	4 070	98.8	323 318	309 790
Foreign governments and international organisations	5 900	-	-	5 900	5 783	117	98.0	11 023	5 737
Non-profit institutions	7 854	-	-	7 854	7 792	62	99.2	6 466	6 392
Households	-	-	947	947	947	-	100.0	1 473	1 425
Payments for capital assets									
Buildings and other fixed structures	7 857	-	(384)	7 473	5 493	1 980	73.5	94 005	36 847
Machinery and equipment	6 651	-	1 167	7 818	7 123	695	91.1	7 719	2 020
Biological or cultivated assets	-	-	-	-	-	-	0.0	-	-
Software and other intangible assets	218	-	(214)	4	-	4	0.0	500	78
Total	1 308 738	-	-	1 308 738	1 222 341	86 397	93.4	1 228 697	1 095 348

Statutory appropriation									
	2005/06							2004/05	
	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
Sector Education and Training Authorities (SETAs)	3 906 664	-	-	3 906 664	3 906 664	-	100.0	3 780 317	3 780 317
National Skills Fund	976 666	-	-	976 666	976 666	-	100.0	945 079	945 079
Total	4 883 330	-	-	4 883 330	4 883 330	-	100.0	4 725 396	4 725 396

Department of Labour - Vote 17
Detail per Programme 1 - Administration for the year ended 31 March 2006

Programme per subprogramme	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Minister									
Current payment	842	-	120	962	958	4	99.6	791	745
1.2 Management									
Current payment	9 056	-	3 967	13 023	13 023	-	100.0	11 663	11 663
Transfers and subsidies	7	-	8	15	15	-	100.0	13	13
Payment for capital assets	90	-	-	90	72	18	80.0	123	123
1.3 Corporate Services									
Current payment	225 421	-	(4 144)	221 277	201 644	19 633	91.1	209 472	198 884
Transfers and subsidies	160	-	38	198	180	18	90.9	193	135
Payment for capital assets	3 104	-	-	3 104	2 764	340	89.0	2 425	393
1.4 Capital Works									
Current payment	-	-	-	-	-	-	0.0	1 688	1 688
Payment for capital assets	-	-	-	-	-	-	0.0	41 147	33 764
1.5 Theft and losses									
Current payment	-	-	11	11	11	-	100.0	522	522
Total	238 680	-	-	238 680	218 667	20 013	91.6	268 037	247 930

Economic classification	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation to employees	54 357	-	(46)	54 311	48 495	5 816	89.3	49 864	40 807
Goods and services	180 962	-	(11)	180 951	167 130	13 821	92.4	173 750	172 173
Financial transactions in assets and liabilities	-	-	11	11	11	-	100.0	522	522
Transfers and subsidies									
Provinces and municipalities	167	-	-	167	149	18	89.2	156	128
Households	-	-	46	46	46	-	100.0	50	20
Payments for capital assets									
Buildings and other fixed structures	-	-	-	-	-	-	0.0	41 147	33 766
Machinery and equipment	3 194	-	-	3 194	2 836	358	88.8	2 048	436
Software and other intangible assets	-	-	-	-	-	-	0.0	500	78
Total	238 680	-	-	238 680	218 667	20 013	91.6	268 037	247 930

Department of Labour - Vote 17
Detail per Programme 2 - Service Delivery for the year ended 31 March 2006

Programme per subprogramme	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Management Support Services									
Current payment	187 908	-	(305)	187 603	173 483	14 120	92.5	115 339	109 814
Transfers and subsidies	262	-	278	540	486	54	90.0	548	547
Payment for capital assets	7 325	-	(683)	6 642	6 462	180	97.3	53 959	3 962
2.2 Beneficiary Services									
Current payment	1	-	-	1	-	1	0	1	-
2.3 Employment Services									
Current payment	119 507	-	24	119 531	116 356	3 175	97.3	110 132	110 131
Transfers and subsidies	791	-	129	920	852	68	92.6	937	937
Payment for capital assets	163	-	(40)	123	119	4	96.7	217	141
2.4 Inspection and Enforcement Services									
Current payment	220 499	-	(1 730)	218 769	205 159	13 610	93.8	176 260	175 346
Transfers and subsidies	437	-	409	846	835	11	98.7	826	826
Payment for capital assets	349	-	(235)	114	114	-	100.0	353	164
2.5 Labour Market Information and Statistics									
Current payment	16 695	-	1 192	17 887	14 567	3 320	81.4	14 509	13 518
Transfers and subsidies	41	-	-	41	30	11	73.2	356	239
Payment for capital assets	71	-	(20)	51	51	-	100.0	325	42
2.6 Occupational Health and Safety									
Current payment	16 576	-	(61)	16 515	12 711	3 804	77.0	13 962	13 285
Transfers and subsidies	15	-	3	18	18	-	100.0	27	17
Payment for capital assets	25	-	1 039	1 064	1 064	-	100.0	46	-
Total	570 665	-	-	570 665	532 307	38 358	93.3	487 797	428 969

Economic classification	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation to employees	346 738	-	(819)	345 919	314 940	30 979	91.0	282 572	274 492
Goods and services	214 448	-	(61)	214 387	207 336	7 051	96.7	147 631	147 602
Transfers and subsidies									
Provinces and municipalities	1 020	-	-	1 020	938	82	92.0	852	798
Non-profit institutions	526	-	-	526	464	62	88.2	496	422
Households	-	-	819	819	819	-	100.0	1 346	1 346
Payments for capital assets									
Buildings and other fixed structures	6 057	-	(384)	5 673	5 493	180	96.8	52 858	3 081
Machinery and equipment	1 872	-	445	2 317	2 317	-	100.0	2 042	1 228
Software and other intangible assets	4	-	-	4	-	4	0.0	-	-
Total	570 665	-	-	570 665	532 307	38 358	93.3	487 797	428 969

Department of Labour - Vote 17
Detail per Programme 3 - Employment and Skills Development Services/HRM
for the year ended 31 March 2006

Programme per subprogramme	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
3.1 Skills Development and Planning									
Current payment	-	-	-	-	-	-	0.0	198	198
3.2 Skills Development Funding									
Current payment	9 486	-	(1 446)	8 040	3 234	4 806	40.2	13 319	3 991
Transfers and subsidies	40 281	-	-	40 281	40 251	30	99.9	37 998	37 973
Payment for capital assets	97	-	-	97	36	61	37.1	37	-
3.3 SETA Coordination									
Current payment	16 980	-	-	16 980	11 794	5 186	69.5	13 592	11 397
Transfers and subsidies	44	-	-	44	23	21	52.3	45	19
Payment for capital assets	149	-	339	488	488	-	100.0	179	64
3.4 INDELELA									
Current payment	31 485	-	(55)	31 430	25 392	6 038	80.8	27 738	23 627
Transfers and subsidies	76	-	55	131	131	-	100.0	101	101
Payment for capital assets	2 511	-	(339)	2 172	174	1 998	8.0	2 711	173
3.5 Training of Staff									
Current payment	1 676	-	-	1 676	288	1 388	17.2	1 565	262
3.6 Administrative Auxiliary Services									
Current payment	15 723	-	-	15 723	11 626	4 097	73.9	15 074	11 373
Transfers and subsidies	30	-	-	30	28	2	93.3	44	21
Payment for capital assets	107	-	-	107	29	78	27.1	124	45
3.7 National Productivity Institute									
Transfers and subsidies	23 934	-	-	23 934	23 934	-	100.0	23 247	23 247
Total	142 579	-	(1 446)	141 133	117 428	23 705	83.2	135 972	112 491

Economic classification	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation to employees	45 454	-	(55)	45 399	35 670	9 729	78.6	41 627	31 315
Goods and services	29 896	-	(1 446)	28 450	16 664	11 786	58.6	29 859	19 533
Transfers and subsidies									
Provinces and municipalities	180	-	(14)	166	113	53	68.1	169	95
Non-profit institutions	64 185	-	-	64 185	64 185	-	100.0	61 220	61 220
Households	-	-	69	69	69	-	100.0	46	46
Payments for capital assets									
Buildings and other fixed structures	1 800	-	-	1 800	-	1 800	0.0	-	-
Machinery and equipment	1 064	-	-	1 064	727	337	68.3	3 051	282
Total	142 579	-	(1 446)	141 133	117 428	23 705	83.2	135 972	112 491

Department of Labour - Vote 17
Detail per Programme 4 - Labour Policy and Labour Market Programme
for the year ended 31 March 2006

Programme per subprogramme	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
4.1 Labour Relations									
Current payment	41 164	-	181	41 345	41 281	64	99.8	30 680	30 680
Transfers and subsidies	206 907	10 632	13	217 552	217 552	-	100.0	186 106	186 065
Payment for capital assets	196	-	742	938	938	-	100.0	330	74
4.2 Labour Policy									
Current payment	27 106	(20 452)	1 421	8 075	8 005	70	99.1	9 263	7 378
Transfers and subsidies	23	-	(8)	15	15	-	100.0	28	29
Payment for capital assets	394	-	(117)	277	277	-	100.0	85	-
4.3 International Labour Matters									
Current payment	9 988	-	229	10 217	10 217	-	100.0	15 243	6 429
Transfers and subsidies	6 913	-	(4)	6 909	6 792	117	98.3	11 051	5 746
Payment for capital assets	145	-	(117)	28	28	-	100.0	145	-
4.4 NEDLAC									
Transfers and subsidies	11 551	-	-	11 551	11 551	-	100.0	9 146	9 146
4.5 Sheltered Employment									
Current payment	2 228	-	(894)	1 334	1 334	-	100.0	1 891	1 033
Transfers and subsidies	41 198	9 820	-	51 018	51 018	-	100.0	51 365	51 365
Payment for capital assets	-	-	-	-	-	-	0.0	18	-
Total	347 813	-	1 446	349 259	349 008	251	99.9	315 351	297 945

Economic classification	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation to employees	28 793	-	(2 581)	26 212	26 212	-	100.0	25 648	24 881
Goods and services	51 693	(20 452)	3 518	34 759	34 625	134	99.6	31 429	20 639
Transfers and subsidies									
Provinces and municipalities	90	-	(12)	78	78	-	100.0	114	74
Dept agencies and accounts	253 274	20 452	-	273 726	273 726	-	100.0	240 558	240 557
Foreign governments and international organisations	5 900	-	-	5 900	5 783	117	98.0	11 023	5 737
Non-profit institutions	7 328	-	-	7 328	7 328	-	100.0	5 970	5 970
Households	-	-	13	13	13	-	100.0	31	13
Payments for capital assets									
Machinery and equipment	521	-	722	1 243	1 243	-	100.0	578	74
Software and other intangible assets	214	-	(214)	-	-	-	0.0	-	-
Total	347 813	-	1 446	349 259	349 008	251	99.9	315 351	297 945

Department of Labour - Vote 17
Detail per Programme 5 - Social Insurance for the year ended 31 March 2006

Programme per subprogramme	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
5.1 Unemployment Insurance Fund									
Transfers and subsidies	1	-	-	1	-	1	0.0	7 000	-
5.2 Compensation Fund									
Transfers and subsidies	9 000	-	-	9 000	4 931	4 069	54.8	14 540	8 013
Total	9 001	-	-	9 001	4 931	4 070	54.8	21 540	8 013

Economic classification	2005/06							2004/05	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual payment	Variance	Payment as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation to employees	-	-	-	-	-	-	0.0	-	-
Transfers and subsidies									
Dept agencies and accounts	9 001	-	-	9 001	4 931	4 070	54.8	21 540	8 013
Total	9 001	-	-	9 001	4 931	4 070	54.8	21 540	8 013

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

Detail of these transactions can be viewed in note 9 (Transfers and subsidies) and Annexure 1 (A-F) 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 financial transactions in assets and liabilities

Detail of these transactions per programme can be viewed in note 7 (Financial transactions in assets and liabilities) to the Annual Financial Statements.

4. Explanations of material variances from Amounts Voted (after virement):

4.1 Per programme:

	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation %
Administration				
Current Payments	235 273	215 636	19 637	8
Transfers and subsidies	213	195	18	8
Payment for Capital Assets	3 194	2 836	358	11

Explanation of variance: **Current Payments:** Under-utilisation is mainly attributable to unfilled vacancies which have impacted on expenditure levels. **Transfer and Subsidies:** Under-utilisation is mainly attributable to low expenditure levels in respect of Regional Service Council Levies. These levies are linked to personnel levels and as a result of unfilled vacancies did not reach anticipated levels. **Payments for Capital Assets:** Under-utilisation is mainly attributable to the delayed purchasing of office furniture and equipment for new staff.

	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation %
Service Delivery				
Current Payments	560 306	522 276	38 030	7
Transfers and subsidies	2 365	2 221	144	6
Payment for Capital Assets	7 994	7 810	184	2

Department of Labour - Vote 17
Notes to the Appropriation Statement for the year ended 31 March 2006

Current Payments: Under-utilisation is mainly attributable to delays in respect of Repair and Maintenance Projects as well as the slow filling of vacancies. **Transfers and Subsidies:** Under-utilisation is mainly attributable to low expenditure levels in respect of Regional Service Council Levies. These levies are linked to personnel levels and as a result of unfilled vacancies did not reach anticipated levels.

	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation %
Employment and Skills Development				
Current payments	73 849	52 334	21 515	29
Transfers and subsidies	64 420	64 367	53	-
Payment for capital assets	2 864	727	2 137	74

Explanation of variance: **Current Payments:** Under-utilisation is mainly attributable to unfilled vacancies which have impacted on expenditure levels as well as projects that did not materialise. **Payments of Capital Assets:** Under-utilisation is mainly attributable to the delayed purchasing of office furniture and equipment for new staff.

	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation %
Labour Policy and Labour Market Programmes				
Current payments	60 971	60 837	134	-
Transfers and subsidies	287 045	286 928	117	-
Payment for capital assets	1 243	1 243	-	-

Explanation of variance

	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation %
Social Insurance				
Current payments	-	-	-	-
Transfers and subsidies	9 001	4 931	4 070	45
Payment for capital assets	-	-	-	-

Explanation of variance: **Transfers and Subsidies:** Under-utilisation is mainly attributable to the less than anticipated value of claims for injuries on duty in respect of Civil Servants that were received from the Compensation Commissioner.

Department of Labour - Vote 17
Notes to the Appropriation Statement for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
4.2 Per economic classification:		
Current expenditure		
Compensation of employees	46 524	28 216
Goods and services	32 792	22 722
Interest and rent on land	-	-
Financial transactions in assets and liabilities	-	-
Unauthorised expenditure approved	-	-
Transfers and subsidies		
Provinces and municipalities	153	196
Departmental agencies and accounts	4 070	13 528
Universities and technikons	-	-
Public corporations and private enterprises	-	-
Foreign governments and international organisations	117	5 286
Non-profit institutions	62	74
Households	-	48
Payments for capital assets		
Buildings and other fixed structures	1 980	57 158
Machinery and equipment	695	5 699
Heritage assets	-	-
Biological assets	-	-
Software and other intangible assets	4	422
Land and sub soil assets	-	-

Department of Labour - Vote 17
Statement of Financial Performance for the year ended 31 March 2006

	<i>Note</i>	2005/06 R'000	2004/05 R'000
Revenue			
Annual appropriation	1	1 308 738	1 228 697
Statutory appropriation	2	4 883 330	4 725 396
Departmental revenue	3	4 811	4 465
Local and foreign aid assistance	4	11 000	10 000
Total revenue		6 207 879	5 968 558
Expenditure			
Current expenditure			
Compensation of employees	5	425 317	371 495
Goods and services	6	425 755	359 947
Financial transactions in assets and liabilities	7	11	522
Local and foreign aid assistance	4	7 240	24 270
Total current expenditure		858 323	756 234
Transfers and subsidies	8	5 241 972	5 049 835
Expenditure for capital assets			
Buildings and other fixed structures	9	5 493	36 847
Machinery and equipment	9	7 123	2 020
Software and other intangible assets	9	-	78
Total expenditure for capital assets		12 616	38 945
Total expenditure		6 112 911	5 845 014
Surplus/(Deficit)		94 968	123 544
Surplus/(Deficit) for the year		94 968	123 544
Reconciliation of Surplus/(Deficit) for the year			
Voted Funds	14	86 397	133 349
Departmental Revenue	15	4 811	4 465
Local and foreign aid assistance	4	3 760	(14 270)
Surplus/(Deficit) for the year		94 968	123 544

Department of Labour - Vote 17
Statement of Financial Position for the year ended 31 March 2006

	<i>Note</i>	2005/06 R'000	2004/05 R'000
Assets			
Current assets		97 415	153 999
Unauthorised expenditure	10	1 260	1 260
Cash and cash equivalents	11	31 196	39 381
Prepayments and advances	12	45 934	94 062
Receivables	13	19 025	16 450
Local and foreign aid assistance receivable	4	-	2 846
Total assets		97 415	153 999
Liabilities			
Current liabilities		89 304	146 024
Voted funds to be surrendered to the Revenue Fund	14	86 397	133 349
Departmental revenue to be surrendered to the Revenue Fund	15	571	198
Payables	16	1 422	12 477
Local and foreign aid assistance repayable	4	914	-
Total liabilities		89 304	146 024
Net assets		8 111	7 975
Represented by:			
Recoverable revenue		8 111	7 975
Total		8 111	7 975

Department of Labour - Vote 17
Statement of Changes in Net Assets for the year ended 31 March 2006

	<i>Note</i>	2005/06 R'000	2004/05 R'000
Recoverable revenue			
Opening balance		7 975	7 880
Transfers		136	95
Debts revised	13.3	101	-
Debts recovered (included in departmental revenue)		(207)	(1 154)
Debts raised		242	1 249
Closing balance		8 111	7 975
Total		8 111	7 975

Department of Labour - Vote 17
Cash Flow Statement for the year ended 31 March 2006

	<i>Note</i>	2005/06 R'000	2004/05 R'000
Cash flows from operating activities			
Receipts		6 207 837	5 968 326
Annual appropriated funds received	1.1	1 308 738	1 228 697
Statutory appropriated funds received		4 883 330	4 725 396
Departmental revenue received		4 769	4 233
Local and foreign aid assistance received	4	11 000	10 000
Net (increase)/decrease in working capital		34 498	(54 897)
Surrendered to Revenue Fund		(137 787)	(46 387)
Current payments		(858 323)	(796 409)
Transfers and subsidies paid		(5 241 972)	(5 049 835)
Net cash flow available from operating activities	17	<u>4 253</u>	<u>20 798</u>
Cash flows from investing activities			
Payments for capital assets		(12 616)	(38 945)
Proceeds from sale of capital assets	3.3	42	232
Net cash flows from investing activities		<u>(12 574)</u>	<u>(38 713)</u>
Cash flows from financing activities			
Increase/(decrease) in net assets		136	95
Net cash flows from financing activities		<u>136</u>	<u>95</u>
Net increase/(decrease) in cash and cash equivalents		(8 185)	(17 820)
Cash and cash equivalents at the beginning of the period		39 381	57 201
Cash and cash equivalents at end of period	18	<u><u>31 196</u></u>	<u><u>39 381</u></u>

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

1. Annual appropriation

1.1 Annual appropriation

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted funds) and Provincial Departments:

	Final appropriation	Actual funds received	Funds not requested/ not received	Appropriation received 2004/05
	R'000	R'000	R'000	R'000
Administration	238 680	238 680	-	268 037
Service Delivery	570 665	570 665	-	487 797
Employment and Skills Development Services	141 133	141 133	-	135 972
Labour Policy and Labour Market Programmes	349 259	349 259	-	315 351
Social Insurance	9 001	9 001	-	21 540
Total	1 308 738	1 308 738	-	1 228 697

2. Statutory appropriation

	2005/06 R'000	2004/05 R'000
Sector Education and Training Authorities (SETAs)	3 906 664	3 780 317
National Skills Fund	976 666	945 079
	4 883 330	4 725 396

3. Departmental revenue to be surrendered to revenue fund

	Notes		
Sales of goods and services other than capital assets	3.1	3 145	2 741
Fines, penalties and forfeits		173	99
Interest, dividends and rent on land	3.2	-	239
Sales of capital assets	3.3	42	232
Financial transactions in assets and liabilities	3.4	1 451	1 154
Departmental revenue collected		4 811	4 465

3.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the Department	3 120	2 741
Sales of scrap, waste and other used current goods	25	-
Total	3 145	2 741

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

3.2 Interest, dividends and rent on land

	2005/06 R'000	2004/05 R'000
Interest	-	239
Total	<u>-</u>	<u>239</u>

3.3 Sale of capital assets

Other capital assets	42	232
Total	<u>42</u>	<u>232</u>

3.4 Financial transactions in assets and liabilities

Nature of loss recovered

Receivables	1 345	-
Other Receipts including Recoverable Revenue	106	1 154
Total	<u>1 451</u>	<u>1 154</u>

4. Local and foreign aid assistance

Foreign

Opening balance	(2 846)	11 424
Revenue	11 000	10 000
Current Expenditure	(7 240)	(24 270)
Closing balance	<u>914</u>	<u>(2 846)</u>

Analysis of balance

	-	2 846
Local and foreign aid payable to RDP fund/donors	914	-
Closing balance	<u>(914)</u>	<u>2 846</u>

5. Compensation of employees

5.1 Salaries and wages

Basic salary	307 118	160 307
Performance award	6 028	49 692
Service based	28	28
Compensative/circumstantial	5 961	5 510
Other non-pensionable allowances	47 890	63 810
	<u>367 025</u>	<u>279 347</u>

5.2 Social contributions

Employer contributions

Pension	37 862	59 195
Medical	20 313	32 771
Bargaining council	101	149
Insurance	16	33
	<u>58 292</u>	<u>92 148</u>

Total compensation of employees

	<u>425 317</u>	<u>371 495</u>
Average number of employees	<u>3 347</u>	<u>3 097</u>

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

6. Goods and services

	<i>Notes</i>	2005/06	2004/05
		R'000	R'000
Advertising		21 738	17 312
Attendance fees (including registration fees)		-	2
Bank charges and card fees		348	243
Bursaries (employees)		1 561	2 329
Communication		44 045	54 503
Computer services		98 767	34 515
Consultants, contractors and special services		22 049	21 262
Courier and delivery services		84	-
Tracing agents and debt collections		7	2
Drivers' licences and permits		55	36
Entertainment		1 009	748
External audit fees	6.1	16 217	11 592
Equipment less than R 5 000		5 584	8 358
Freight service		245	224
Inventory	6.2	20 711	40 994
Learnerships		5	2 086
Legal fees		1 109	1 293
Licence agency fees		4	7
Maintenance, repairs and running cost		38 828	4 985
Medical services		24	26
Operating leases		19 383	7 713
Photographic services		158	111
Plant flowers and other decorations		83	23
Printing and publications		3 918	952
Professional bodies and membership fees		38	28
Resettlement cost		2 696	2 815
Taking over of contractual obligations		-	5
Owned leasehold property expenditure		12 980	15 138
Translations and transcriptions		68	23
Transport provided as part of the departmental activities		157	90
Travel and subsistence	6.3	81 282	95 064
Venues and facilities		27 829	31 367
Protective, special clothing and uniforms		60	50
Training and staff development		4 713	6 051
		<u>425 755</u>	<u>359 947</u>
6.1 External audit fees			
Regulatory audits		15 470	11 038
Performance audits		747	554
Total external audit fees		<u>16 217</u>	<u>11 592</u>

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

	<i>Notes</i>	2005/06 R'000	2004/05 R'000
6.2 Inventory			
Domestic consumables		1 493	1 493
Agricultural		1	7
Learning and teaching support material		5	88
Food and food supplies		1 116	655
Fuel, oil and gas		334	109
Other consumables		1 000	596
Parts and other maintenance material		661	800
Stationery and printing		16 085	37 234
Medical supplies		16	12
		<u>20 711</u>	<u>40 994</u>
6.3 Travel and subsistence			
Local		77 503	93 749
Foreign		3 779	1 315
Total travel and subsistence		<u>81 282</u>	<u>95 064</u>
7. Financial transactions in assets and liabilities			
Other material losses written off	7.1	-	407
Debts written off	7.2	11	114
Theft	7.3	-	1
		<u>11</u>	<u>522</u>
7.1 Other material losses			
Nature of losses			
Overalls and tools		-	4
Damaged GG Vehicles		-	403
		<u>-</u>	<u>407</u>
7.2 Debts written off			
Nature of debts written off			
Staff debts		11	114
		<u>11</u>	<u>114</u>
7.3 Details of theft			
Stolen petty cash		-	1
Total		<u>-</u>	<u>1</u>

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

8. Transfers and subsidies

		2005/06 R'000	2004/05 R'000
Provinces and municipalities	<i>Annex 1A</i>	1 278	1 095
Departmental agencies and accounts	<i>Annex 1B</i>	5 226 172	5 035 186
Foreign governments and international organisations	<i>Annex 1C</i>	5 783	5 737
Non-profit institutions	<i>Annex 1D</i>	7 792	6 392
Households	<i>Annex 1E</i>	947	1 425
		<u>5 241 972</u>	<u>5 049 835</u>

9. Expenditure for capital assets

Buildings and other fixed structures	<i>Annex 3.1</i>	5 493	36 847
Machinery and equipment	<i>Annex 3.1</i>	7 123	2 020
Software and other intangible assets	<i>Annex 4</i>	-	78
Total		<u>12 616</u>	<u>38 945</u>

10. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	1 260	1 260
Unauthorised expenditure – current year	-	-
Unauthorised expenditure awaiting authorisation	<u>1 260</u>	<u>1 260</u>

11. Cash and cash equivalents

Consolidated Paymaster-General Account	30 843	39 067
Cash on hand	353	314
	<u>31 196</u>	<u>39 381</u>

12. Prepayments and advances

Description

Travel and subsistence	2 215	1 701
Prepayments	42 639	90 185
Advances paid to other entities	1 080	2 176
	<u>45 934</u>	<u>94 062</u>

13. Receivables

	Notes	Less than one year	One to three years	Older than three years	2005/06 R'000 Total	2004/05 R'000 Total
Staff debt	13.1	1 864	1 386	11 424	14 674	13 704
Other debtors	13.2	1 428	-	-	1 428	166
Claims recoverable	<i>Annex 5</i>	2 923	-	-	2 923	2 580
		<u>6 215</u>	<u>1 386</u>	<u>11 424</u>	<u>19 025</u>	<u>* 16 450</u>

Note: An amount of R10 595 disclosed as Potential Irrecoverable debt in Note 29.

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
13.1 Staff debt	29	14 674	13 704
13.2 Other debtors			
Salary tax debt		65	48
Clearing accounts		419	94
Disallowance dishonoured cheques		17	24
Irregular expenditure		927	-
		1 428	166
13.3 Debts revised			
Recoverable debts revised		101	-
		101	-

14. Voted funds to be surrendered to the revenue fund

Opening balance	133 349	41 836
Transfer from Statement of Financial Performance	86 397	133 349
Paid during the year	(133 349)	(41 836)
Closing balance	86 397	133 349

15. Departmental revenue to be surrendered to the revenue fund

Opening balance	198	284
Transfer from Statement of Financial Performance	4 811	4 465
Paid during the year	(4 438)	(4 551)
Closing balance	571	198

16. Payables – current

Description

	Notes	30 Days	30+ Days	2005/06 Total	2004/05 Total
Amounts owing to other entities	<i>Annex 6</i>	-	-	-	7 669
Advances received	<i>16.1</i>	-	-	-	3 482
Clearing accounts	<i>16.2</i>	834	-	834	502
Other payables	<i>16.3</i>	588	-	588	824
		1 422	-	1 422	12 477

16.1 Advances received

Advances received from Compensation Fund	-	3 482
	-	3 482

16.2 Clearing accounts

Arrear wages management control	214	293
Deduction control account	620	209
	834	502

Department of Labour - Vote 17
Notes to the Annual Financial Statements for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
16.3 Other payables		
Disallowances	556	824
Sheltered Employment	32	-
	<u>588</u>	<u>824</u>
17. Net cash flow available from operating activities		
Net surplus/(deficit) as per Statement of Financial Performance	94 968	123 544
(Increase)/decrease in receivables – current	(2 575)	(622)
(Increase)/decrease in prepayments and advances	48 128	(54 275)
Increase/(decrease) in payables – current	(11 055)	(40 175)
Proceeds from sale of capital assets	(42)	(232)
Surrenders to Revenue Fund	(137 787)	(46 387)
Expenditure on capital assets	12 616	38 945
Net cash flow generated by operating activities	<u>4 253</u>	<u>20 798</u>
18. Reconciliation of cash and cash equivalents for cash flow purposes		
Consolidated Paymaster-General account	30 843	39 067
Cash on hand	353	314
	<u>31 196</u>	<u>39 381</u>

Department of Labour - Vote 17

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

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

		<i>Note</i>	2005/06 R'000	2004/05 R'000
19. Contingent liabilities				
Liable to	Nature			
Housing loan guarantees	Employees	<i>Annex 2A</i>	15 398	14 534
Claims against the Department		<i>Annex 2B</i>	6 595	5 354
Other departments		<i>Annex 6</i>	317	651
			22 310	20 539
20. Commitments				
Current expenditure				
Approved and contracted			34 940	21 231
Total commitments			34 940	21 231
21. Accruals				
Listed by economic classification				
Current	30 Days	30+ Days	2005/06 R'000 Total	2004/05 R'000 Total
Goods and services	-	1 712	1 712	693
Machinery and equipment	-	-	-	1
	-	1 712	1 712	694
Listed by programme level				
Programme 1 – Administration			285	322
Programme 2 – Service Delivery			1 341	275
Programme 3 – ESDS			45	6
Programme 4 – LP and LMP			41	91
			1 712	694
22. Employee benefits/contingent liabilities				
Leave entitlement			10 326	8 911
Thirteenth cheque			13 185	11 087
Performance awards			562	-
Capped leave commitments			31 110	32 688
			55 183	52 686

Department of Labour - Vote 17
Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

23. Lease commitments

23.1 Operating leases	Land	Buildings and other fixed structures	Machinery and equipment	2005/06 Total	2004/05 Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	1 222	1 222	300
Later than 1 year and not later than 5 years	-	-	786	786	1 032
Total present value of lease liabilities	-	-	2 008	2 008	1 332
23.2 Finance leases					
Total value of finance leases	-	-	5 377	5 377	-

See Note 28 for information on PPP contract leases.

24. Receivables for departmental revenue	2005/06 R'000	2004/05 R'000
Sales of goods and services other than capital assets	119	93
Interest, dividends and rent on land	-	60
Financial transactions in assets and liabilities	452	45
	<u>571</u>	<u>198</u>

25. Irregular expenditure

25.1 Reconciliation of irregular expenditure		
Irregular expenditure – current year	927	-
Irregular expenditure awaiting condonement	927	-
Analysis		
Current	927	-
	<u>927</u>	<u>-</u>

25.2 Irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings		
Amount not approved by Subtender Committee	Investigation in process	927	-
		<u>927</u>	<u>-</u>

26. Related party transactions

No known related party transactions occurred during the year under review.

Revenue received/(paid)

Tax revenue/ User charges	-	-
Sales of goods and services other than capital assets	-	-
Fines, penalties and forfeits	-	-
Interest, dividends and rent on land	-	-
Sales of capital assets	-	-
Financial transactions in assets and liabilities	-	-
Transfers	-	-
Total	<u>-</u>	<u>-</u>

Movement of funds between Department and related party

Investment	-	-
Non-interest bearing loans to/ (from)	-	-
Interest bearing loans to/ (from)	-	-
Debtor balances	-	-
Creditor balances	-	-
Sales of assets	-	-
Guarantees provided	-	-
	<u>-</u>	<u>-</u>

Balances between Department and related party

Investment	-	-
Non-interest bearing loans to/ (from)	-	-
Interest bearing loans to/ (from)	-	-
Debtor balances	-	-
Creditor balances	-	-
Sales of assets	-	-
Guarantees provided	-	-
	<u>-</u>	<u>-</u>

27. Key management personnel

	No. of Individuals	2005/06 R'000	2004/05 R'000
Political office bearers	1	962	747
Officials			
Level 15 to 16	5	3 675	2 309
Level 14	8	3 857	2 762
		<u>8 494</u>	<u>5 818</u>

28. Public Private Partnership

A description of the arrangement

Subsequent to obtaining Treasury Approval III from National Treasury in terms of Treasury Regulation 16, the Department entered into a Public Private Partnership Agreement ("PPP Agreement") with Siemens Business Services (Proprietary) Limited ("private partner"), effective from 1 December 2002, to provide information technology related infrastructure, services and management support to the Department, 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

The Department pays a fixed fee ("unitary fee"), which is subject to escalation with CPIX annually on 1 April. Significant terms that may affect the amount, timing or certainty of future cash flows are summarised below.

- Service credits

The Department 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 over the PPP Agreement period. The Department's risk in the event that the Rand devaluates outside certain agreed parameters is capped and managed through a prescribed mechanism.

The nature and extent of the arrangement

a. Rights to use specified assets

The beneficial use of controls 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, departmental data, software, computer network and computer peripherals and the like used by the Department 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 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 and the Funds.
- **Operational services**
The private partner is required to operate, maintain, support and refresh the information technology environment of the Department 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 upon payment of the relevant termination compensation to the private partner as set out in the PPP Agreement.

On expiry of the PPP Agreement (10 years after effective date) the information technology environment shall transfer to the Department at no cost.

e. Renewal and termination options

The PPP Agreement provides the Department 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 has to exercise this option in writing by no later than 12 months prior to the expiry date of the PPP Agreement.

The Department may at expiry of the PPP Agreement, in its sole discretion, request support services for a 12-month period in order to facilitate transition to any new arrangement.

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'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
- Funds accumulated due to excess profits will be shared equally between the Department and the private partner
- Funds accumulated due to service credits will be shared between the Department and the private partner, depending on how the service credit originated.

As at 31 March 2006, the balance of the reinvestment fund was R16 417 549.94.

i. Expenditure for the financial year

The expenditure incurred over the past four years paid to the private partner in terms of the PPP Agreement is as follow:

Department of Labour - Vote 17
Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

Year ended	Unitary fee	Additional services	Total
31 March 2003	R40 833 333	Rnil	R40 833 333
31 March 2004	R125 463 046	R36 806 561	R162 269 607
31 March 2005	R136 962 744	R22 646 145	R159 608 889
31 March 2006	R160 210 820	R14 130 604	R174 341 424

The Department 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, 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.

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 2006:

Payment type	Total payments to private partner R'000	Department of Labour portion R'000	Unemployment Insurance Fund portion R'000	Compensation Fund portion R'000
Unitary fee	160 211	53 403	53 404	53 404
Additional services	14 131	8 624	5 216	291
Total	174 342	62 027	58 620	53 695

The unitary fee payment to the private partner for the year ended 31 March 2006 includes a significant scalability adjustment in respect of the current and prior years.

The Department's portion of the payments to the private partner is disclosed, accounted and budgeted for as current expenditure (Goods and Services) in the Annual Financial Statements of the Department. This treatment is consistent with the treatment followed in the unqualified audited Annual Financial Statements of the Department for the years ended 31 March 2003 to 31 March 2005.

Department of Labour - Vote 17
Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

Disclosure

	2005/06 R'000 (106,808)	2004/05 R'000 (91,308)
Contract fee received		
Unitary fee portion paid to the Department by the:		
Unemployment Insurance Fund	(53 404)	(45 654)
Compensation Fund	(53 404)	(45 654)
 Contract fee paid	 168 835	 158 929
Fixed component (Note 1)	149 302	136 963
Variable component	-	-
Scalability adjustment in respect of previous years	10 909	-
Additional services	8 624	21 966
 Current expenditure	 7 172	 8 352
Compensation of employees	-	-
Goods and services (excluding lease payments)	7 172	8 352
Operating lease	-	-
Finance lease	-	-
Interest	-	-
 Capital/ (Liabilities)	 -	 -
Tangible rights	-	-
Intangible rights	-	-
Property	-	-
Plant and equipment (Note 2)	-	-
Loans	-	-
 Other	 -	 -
Prepayments and advances	-	-
Pre-production obligations	-	-
Other obligations	-	-
 Total	 <u>69 199</u>	 <u>75 973</u>

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

Note 2: Refer additional disclosure note below.

Additional disclosure

There is currently no accepted international or South African guidance in respect of the accounting for public private partnership agreements/service concession arrangements. Although certain aspects and disclosures relating to some service concession arrangements

Department of Labour - Vote 17
Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

are already addressed by existing standards, some aspects of service concessions are not addressed. In the absence of guidance, the disclosures required in terms of AC 429 (SIC29) and GRAP 13 are disclosed to provide additional disclosure.

Until such time as guidance on the accounting treatment is available, the following disclosures are made (on guidance from the Office of the Accountant-General) that indicate the potential effect on the Annual Financial Statements of the Department, should the Public Private Partnership Agreement be treated as a finance lease, which is consistent with the disclosure for the 31 March 2005 financial year.

Annexure 3 of the Annual Financial Statements

Annexure 3 of the Annual Financial Statements: would require the following additions in respect of the PPP Agreement:

Physical asset movement schedule as at 31 March 2006

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Machinery and equipment				
Computer equipment				
- Legacy assets Note 1	-	-	-	-
- Other assets Note 2	86 648	16 180	-	102 828

Physical asset movement schedule as at 31 March 2005

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Machinery and equipment				
Computer equipment				
- Legacy assets Note 1	-	-	-	-
- Other assets Note 2	17 549	69 099	-	86 648

Note 1: Legacy assets means computer hardware used by the Department prior to the effective date of the PPP Agreement, the beneficial use of, control and risks in respect of which was transferred to the private partner. Due to the fact that the Annual Financial Statements have been prepared on a modified cash basis of accounting, all legacy assets were expensed in the Statement of Financial Performance when the final authorisation for payment was effected, thus prior to December 2002. The opening balance is therefore R nil.

Note 2: Other assets means the progressive refurbishment and additions made by the private partner to the legacy assets during the provision of the services, including those additions in respect of additional services. Other assets are stated at cost (being the cost price to the private partner, inclusive of VAT).

Department of Labour - Vote 17

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

Note 23 of the Annual Financial Statements – lease commitments

Note 23 of the Annual Financial Statements would require the following additions in respect of the PPP Agreement.

23.1 Operating leases:

Public Private Partnership Agreement in respect of information technology:

	Building and other fixed structures R'000	Machinery and equipment R'000	Total 2005/06 R'000	Total 2004/05 R'000
For the current financial year	-	135 625	135 625	126 986
Not later than 1 year	-	111 689	111 689	95 737
Later than 1 year and not later than 3 years	-	258 600	258 600	321 178
Later than 3 years	-	436 620	436 620	386 292

23.2 Financial leases:

Public Private Partnership Agreement in respect of information technology:

	Building and other fixed structures R'000	Machinery and equipment R'000	Total 2005/06 R'000	Total 2004/05R'000
For the current financial year	-	38 717	38 717	32 623
Present value of lease liabilities (deemed entered into as at year end)	-	36 128	36 128	54 221

The above disclosures (in respect of Note 23.1 and 23.2) are based on the following information and calculations:

Year ends	Months in period	Unitary fee	Addition service fee	Total payment to private partner	Capital expenditure by private partner	"Deemed" lease payments	Interest element of "deemed" lease payment	"Deemed" operating lease payments
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
1 Dec'02 to 31 Mar'03	4	40 833	-	40 833	-	-	-	40 833
1 Apr'03 to 31 Mar'04	12	125 463	36 807	162 270	17 549	6 607	1 222	155 663
1 Apr'04 to 31 Mar'05	12	136 963	22 646	159 609	69 099	32 623	5 583	126 986
1 Apr'05 to 31 Mar'06	12	160 211	14 131	174 342	16 180	38 717	4 442	135 625
1 Apr'06 to 31 Mar'07	12	152 592	-	152 592	23 350	40 903	3 445	111 689
1 Apr'07 to 31 Mar'08	12	152 592	-	152 592	14 458	20 331	2 295	132 261
1 Apr'08 to 31 Mar'09	12	152 592	-	152 592	31 904	26 253	3 236	126 339
1 Apr'09 to 31 Mar'10	12	152 592	-	152 592	29 171	28 445	3 670	124 147
1 Apr'10 to 31 Mar'11	12	152 592	-	152 592	24 759	33 355	3 482	119 237
1 Apr'11 to 31 Mar'12	12	152 592	-	152 592	24 895	37 358	2 912	115 234
1 Apr'12 to 31 Mar'13	8	101 728	-	101 728	5 961	23 726	705	78 002
Total	120	1 480 750	73 584	1 554 334	257 326	288 318	30 992	1 266 016

The unitary fee payment to the private partner for the year ended 31 March 2006 includes a significant scalability adjustment in respect of the current and prior years.

The unitary fee for years subsequent to 31 March 2006 has not been adjusted for inflation after 31 March 2006 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 R nil, as there are currently no future commitments regarding additional services.

Capital expenditure is based on the actual cost, including VAT, incurred by the private partner up to 31 March 2006 and on planned expenditure by the private partner for all subsequent years.

"Deemed" lease payments have been calculated based on the capital expenditure, the weighted average government borrowing rate (being 8,1%), a lease period of the shorter of three years (being an assumed average economic life for computer hardware) or 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.

"Deemed" operating lease payments have been calculated as the unitary fee plus the additional service fee less the calculated "deemed" lease payments.

Department of Labour - Vote 17
Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

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

	Total 2005/06 R'000	Total 2004/05 R'000
Total "Deemed" operating lease payments (additional disclosure in respect of note 23.1)	135 625	126 986
Allocated to the Department	23 310	34 998
Allocated to the Unemployment Insurance Fund	58 620	45 994
Allocated to the Compensation Fund	53 695	45 994
"Deemed" finance lease payments by the Department (additional disclosure in respect of note 23.2)	38 717	32 623
Total payments to the private partner	174 342	159 609
 Payments allocated to the Department as per the Statement of Financial Performance		
"Deemed" finance lease payments	38 717	32 623
"Deemed" operating lease payments	23 310	34 998
Total payments by the Department (included in note 6)	62 027	67 621

29. Provisions

	2005/06 R'000	2004/05 R'000
Potential irrecoverable debts		
Staff and ex-employees	10 595	-
	<u>10 595</u>	<u>-</u>

Note: Included in Note 13.1: Receivables

30. Skills Development Levies

The unappropriated Skills Development Levies at the National Revenue Fund consisting of:

- Employer contributions which could not be allocated to a specific SETA, or resulting from SARS contributions received without, or with incorrect, reference numbers, which could be Skills Development Levies, Value Added Tax, or Pay As You Earn.

As at 31 March 2006 the account had an accumulated balance of R 4 934 484.89. This money is currently in the National Revenue Fund and has not been accounted for in the Financial Statements of the Department or the National Skills Fund. Once the nature of these monies are established to be Skills Development Levies, the funds will be transferred as follows, in accordance with current statutory regulations:

- 20% to the National Skills Fund
- 80% to the SETAs.

The Department is currently engaged in a process with the South African Revenue Service to establish the nature of the monies in this account.

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 1A
Statement of unconditional grants and transfers to municipalities

Name of municipality	Grant allocation				Transfer		Spent			2004/05
	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
Karoo District Municipality	5	-	-	5	3	60.0%	3	3	100.0%	3
Motheo District Municipality	53	-	-	53	51	96.2%	51	51	100.0%	51
Waterberg District Municipality	11	-	-	11	8	72.7%	8	8	100.0%	8
Nkangala District Council	47	-	-	47	45	95.7%	45	45	100.0%	45
Ehlanzeni District Municipality	18	-	-	18	15	83.3%	15	15	100.0%	15
Central Karoo District Municipality	6	-	-	6	3	50.0%	3	3	100.0%	3
Frances Baard District Municipality	31	-	-	31	28	90.3%	28	28	100.0%	28
Ukhahlamba District Municipality	9	-	-	9	6	66.7%	6	6	100.0%	6
Capricorn District Municipality	54	-	-	54	51	94.4%	51	51	100.0%	51
Chris Hani District Municipality	11	-	-	11	8	72.7%	8	8	100.0%	8
Greater East Rand Metro	112	-	-	112	101	90.2%	101	101	100.0%	102
Gert Sibande District Municipality	24	-	-	24	21	87.5%	21	21	100.0%	21
Bophirma District Council	8	-	-	8	5	62.5%	5	5	100.0%	5
Lower-Orange District Council	7	-	-	7	4	57.1%	4	4	100.0%	4
Tshwane Metropolitan Municipality	390	-	-	390	375	96.2%	375	375	100.0%	376
Bojanala Platinum District Municipality	16	-	-	16	13	81.3%	13	13	100.0%	13
Greater JHB Metro Council	92	-	-	92	90	97.8%	90	90	100.0%	91
West Coast District Municipality	6	-	-	6	3	50.0%	3	3	100.0%	3
Namakwa District Municipality	7	-	-	7	4	57.1%	4	4	100.0%	4
Nothern Freestate District Council	11	-	-	11	8	72.7%	8	8	100.0%	8
Sedibeng District Municipality	15	-	-	15	12	80.0%	12	12	100.0%	12
Southern District Council	15	-	-	15	12	80.0%	12	12	100.0%	12
Cape Metropolitan Council	57	-	-	57	54	94.7%	54	54	100.0%	55
West Rand District Municipality	16	-	-	16	13	81.3%	13	13	100.0%	14
East Freestate District Council	12	-	-	12	9	75.0%	9	9	100.0%	9
Lejwelephutsa District Municipality	11	-	-	11	8	72.7%	8	8	100.0%	8
Amatole District Municipality	66	-	-	66	63	95.5%	63	63	100.0%	64
Eden District Municipality	18	-	-	18	15	83.3%	15	15	100.0%	16
Ethekwini Municipality	83	-	-	83	78	94.0%	78	78	100.0%	79
Umgungundlovu District Municipality	21	-	-	21	18	85.7%	18	18	100.0%	19
Ugu District Municipality	10	-	-	10	7	70.0%	7	7	100.0%	7
Uthungulu District Municipality	10	-	-	10	7	70.0%	7	7	100.0%	7
Umkhanyakazi District Municipality	9	-	-	9	6	66.7%	6	6	100.0%	6
Indlovu Regional Council	5	-	-	5	2	40.0%	2	2	100.0%	2
Kgalagadi District Municipality	7	-	-	7	4	57.1%	4	4	100.0%	4
Cape Winelands District Municipality	9	-	-	9	6	66.7%	6	6	100.0%	6
Uthukela Regional Council South	10	-	-	10	7	70.0%	7	7	100.0%	7
Zululand District Municipality	13	-	-	13	10	76.9%	10	10	100.0%	11
Alfred NZO District Municipality	8	-	-	8	5	62.5%	5	5	100.0%	5
Kei District Council	11	-	-	11	8	72.7%	8	8	100.0%	8
Central District Municipality	40	-	-	40	37	92.5%	37	37	100.0%	38
Ilembe District Municipality	6	-	-	6	3	50.0%	3	3	100.0%	3
Nelson Mandela Metropol Municipality	39	-	-	39	39	100.0%	39	39	100.0%	40
Vhembe District Municipality	13	-	-	13	10	76.9%	10	10	100.0%	11
Sekhukhune Cross Bound D M	5	-	-	5	2	40.0%	2	2	100.0%	2
Fines and Penalties Municipality Agency	4	-	-	4	1	25.0%	1	1	100.0%	1
Total	1 431	-	-	1 431	1 278		1 278	1 278		1 291

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 1B

Statement of transfers to departmental agencies and accounts

Department/ Agency/ Account	Transfer allocation				Transfer		2004/05
Adjusted	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
Compensation Fund	9 000	-	-	9 000	4 931	54.8%	14 540
Unemployment Insurance Fund	1	-	-	1	-	100.0%	7 000
Commission for Conciliation Mediation and Arbitration	208 576	-	-	208 576	208 576	100.0%	174 612
National Productivity Institute	23 934	-	-	23 934	23 934	100.0%	23 247
National Skills Fund	40 251	-	-	40 251	40 251	100.0%	37 973
Strengthen Civil Soc Lab Reb Trans {Development Institute for Training, Support and Education for Labour (DITSELA)}	8 912	-	-	8 912	8 912	100.0%	11 408
National Economic Development and Labour Council (NEDLAC)	11 551	-	-	11 551	11 551	100.0%	9 146
Subsidised work centres for people with disabilities	44 687	-	-	44 687	44 687	100.0%	45 392
Statutory							
Sector Education and Training Authorities	3 906 664	-	-	3 906 664	3 906 664	100.0%	3 780 317
National Skills Fund	976 666	-	-	976 666	976 666	100.0%	945 079
	5 230 242	-	-	5 230 242	5 226 172		5 048 714

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 1C

Statement of transfers to foreign government and international organisations

Foreign government/ international organisation	Transfer allocation				Expenditure		2004/05
Transfers	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
International Labour Organisation	5 476	-	-	5 476	5 360	97.9%	8 500
Arlac	424	-	-	424	423	99.8%	2 523
Total	5 900	-	-	5 900	5 783		11 023

Annexure 1D

Statement of transfers to non-profit organisations

Non-profit organisations	Transfer allocation				Expenditure		2004/05
Transfers	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
SA National Council for the Blind	214	-	-	214	212	99.1%	202
Deaf Federation of South Africa	140	-	-	140	83	59.3%	132
National Council for the Physically Disabled	172	-	-	172	169	98.3%	162
Subsidised workshops for the blind	6 328	-	-	6 328	6 328	100.0%	5 970
South African Youth Council	1 000	-	-	1 000	1 000	100.0%	-
Total	7 854	-	-	7 854	7 792		6 466

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 1E
Statement of transfers to households

Households	Transfer allocation				Expenditure		2004/05
Transfers	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
Resignation packages	947	-	-	947	947	100.0%	1 473
Total	947	-	-	947	947		1 473

Annexure 1F
Statement of local and foreign aid assistance received for the year ended 31 March 2006

Name of donor	Purpose	Opening balance R'000	Revenue R'000	Expenditure R'000	Closing balance R'000
Received in cash					
Netherlands		914	-	-	914
European Union		(3 760)	11 000	7 240	-
Total		(2 846)	11 000	7 240	914

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 2A

Statement of financial guarantees issued as at 31 March 2006-local

Guarantor Institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 01/04/2005	Adjustment to the opening balance	Guarantees issued during the year	Guarantees released/paid/cancelled/reduced during the year	Guaranteed interest outstanding as at 31 March 2006	Closing balance
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Standard Bank of SA Limited	Housing loan guarantees	2 003	2 003	213	313	336	-	2 193
Nedbank Limited (Former Cape of Good Hope)	Housing loan guarantees	15	15	-	-	-	-	15
Nedbank Limited	Housing loan guarantees	1 532	1 532	116	275	132	-	1 791
Firststrand Bank Limited: FNB	Housing loan guarantees	2 300	2 300	264	163	488	-	2 239
Nedbank LTD incorporating BOE	Housing loan guarantees	51	51	22	-	20	-	53
ABSA	Housing loan guarantees	4 597	4 597	680	315	1 216	-	4 376
Company Unique Finance (PTY)	Housing loan guarantees	123	123	89	-	-	-	212
Old Mutual Finance Limited	Housing loan guarantees	158	158	36	-	54	-	140
Peoples Bank (Former FBC Fidelity Bank)	Housing loan guarantees	378	378	78	-	-	-	456
Nedbank LTD Incorp. NBS (former Peoples Bank NBS)	Housing loan guarantees	622	622	212	-	75	-	759
Firststrand Bank Limited (FNB - Saambou)	Housing loan guarantees	789	789	185	160	83	-	1 051
Old Mutual Bank Division of Nedbank (former Perm	Housing loan guarantees	1 568	1 568	286	76	236	-	1 694
Future Bank Corporation Limited	Housing loan guarantees	14	14	-	-	-	-	14
GBS Mutual Bank	Housing loan guarantees	16	16	-	-	16	-	-
Ithala Limited	Housing loan guarantees	41	41	-	28	26	-	43
Free State Development Corporation	Housing loan guarantees	101	101	-	17	-	-	118
VBS Mutual Bank	Housing loan guarantees	91	91	-	-	-	-	91
Mpumalanga Housing Unibank	Housing loan guarantees	43	43	-	-	-	-	43
Albaraka Bank	Housing loan guarantees	11	11	-	-	-	-	11
ABSA Bank (former Unibank)	Housing loan guarantees	13	-	13	-	-	-	13
BOE Bank Limited	Housing loan guarantees	47	47	-	-	28	-	19
SA Homeloans (PTY) LTD	Housing loan guarantees	34	34	-	-	-	-	34
Green Start Home Loans (PTY) LTD	Housing loan guarantees	33	-	-	33	-	-	33
Grand total of housing		14 580	14 534	2 194	1 380	2 710	-	15 398

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 2B
Statement of contingent liabilities as at 31 March 2006

Nature of liability	Opening balance 01/04/2005 R'000	Liabilities incurred during the year R'000	Liabilities paid R'000	Liabilities cancelled/reduced during the year R'000	Liabilities recoverable (provide details hereunder) R'000	Closing balance 31/03/2006 R'000
Claims against the Department						
Industry Training Board (446/07/99/MT)	476	-	-	-	-	476
W Kruger (11/10/2002/MT)	8	-	-	-	-	8
Casino National Training (794/09/00/MT)	385	-	-	-	-	385
JJ Liebenberg (12/2/1/33MT)	142	-	45	97	-	-
Casa Tascana Lodge CC(12/8/1/DP)	6	-	8	(2)	-	-
Venwood Baker (12/5/2003/GM)	4 319	-	-	-	-	4 319
NC Payi (12/6/31/MS)	17	-	-	17	-	-
CJ De Vries (12/5/1/18/LM)	1	-	-	-	-	1
AN Makhado (12/2/1/180/MT)	-	11	-	-	-	11
SAPS M Sedgwick (12/9/4/3/GM)	-	2	-	-	-	2
Glowing Sunset Trading (12/5/1/133/LM)	-	1	-	-	-	1
Specfire (Pty) Ltd (12/2/1/139/VZ)	-	23	-	-	-	23
Local News Network (Pty) Ltd (12/2/1/55/ZB)	-	4	-	-	-	4
AA Meyer (12/3/142/ZB)	-	47	-	-	-	47
Simages Int. Consulting (12/3/208/MT)	-	1 318	-	-	-	1 318
Total	5 354	1 406	53	112	-	6 595

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 3

Capital tangible asset movement schedule for the year ended 31 March 2006

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Building and other fixed structures	-	5 493	-	5 493
Dwellings	-	-	-	-
Non-residential buildings	-	-	-	-
Other fixed structures	-	5 493	-	5 493
Heritage assets	-	-	-	-
Machinery and equipment	35 134	28 356	(79)	63 411
Transport assets	1 794	8 689	(42)	10 441
Specialised military assets	-	-	-	-
Computer equipment	15 860	181	(16)	16 025
Furniture and office equipment	5 788	2 428	(21)	8 195
Other machinery and equipment	11 692	17 058	-	28 750
Total capital assets	35 134	33 849	(79)	68 904

Annexure 3.1

Additions movement schedule for the year ended 31 March 2006

	Cash R'000	In-Kind R'000	Total R'000
Building and other fixed structures	5 493	-	5 493
Dwellings	-	-	-
Non-residential buildings	-	-	-
Other fixed structures	5 493	-	5 493
Heritage assets	-	-	-
Machinery and equipment	7 123	-	7 123
Transport assets	-	-	-
Specialised military assets	-	-	-
Computer equipment	3 207	-	3 207
Furniture and office equipment	1 537	-	1 537
Other machinery and equipment	2 379	-	2 379
Total capital assets	12 616	-	12 616

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 3.2

Disposal schedule for the year ended 31 March 2006

	Cost R'000	Cash R'000	
Building and other fixed structures			
Dwellings	-	-	-
Non-residential buildings	-	-	-
Other fixed structures	-	-	-
Heritage assets	-	-	-
Machinery and equipment	-	42	42
Transport assets	-	42	42
Specialised military assets	-	-	-
Computer equipment	-	-	-
Furniture and office equipment	-	-	-
Other machinery and equipment	-	-	-
Total capital assets	-	42	42

Annexure 3.3

Capital tangible asset movement schedule for the year ended 31 March 2005

	Additions R'000	Disposals R'000	Total movement R'000
Building and other fixed structures	36 847	-	36 847
Dwellings	-	-	-
Non-residential buildings	-	-	-
Other fixed structures	36 847	-	36 847
Heritage assets	-	-	-
Machinery and equipment	2 020	-	2 020
Transport assets	104	-	104
Specialised military assets	-	-	-
Computer equipment	-	-	-
Furniture and office equipment	-	-	-
Other machinery and equipment	1 916	-	1 916
Total capital assets	38 867	-	38 867

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 4

Capital intangible asset cost movement schedule for the year ended 31 March 2006

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Computer Software	78	-	-	78
Total	78	-	-	78

Annexure 4.1

Capital intangible asset movement schedule for the year ended 31 March 2005

	Additions R'000	Disposals R'000	Total Movement R'000
Building and other fixed structures	78		78
Computer Software			
Total	78	-	78

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 5
Inter-government receivables

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation Fund	1 863	343	-	-	1 863	343
National Treasury	-	20	-	-	-	20
Department of Agriculture	38	40	-	-	38	40
Department of Correctional Services	-	6	-	-	-	6
Department of Education	23	50	-	-	23	50
Department of Foreign Affairs	515	577	-	-	515	577
Department of Health	74	62	-	-	74	62
Department of Home Affairs	-	13	-	-	-	13
Department of Justice	35	34	-	-	35	34
Department of Traditional and Local Government Affairs	13	13	-	-	13	13
Department of Water Affairs and Forestry	-	18	-	-	-	18
Firewall CC (Sita Account)	-	3	-	-	-	3
Government Pension Fund	1	1	-	-	1	1
KwaZulu-Natal Provincial Government	33	33	-	-	33	33
Limpopo Provincial Government	55	55	-	-	55	55
Office of the Premier	9	9	-	-	9	9
Presidence: Republic of South Africa	24	24	-	-	24	24
Provincial Office Eastern Cape	4	4	-	-	4	4
South African Police Service	-	7	-	-	-	7
Transport	-	4	-	-	-	4
Department of Public Works	108	123	-	-	108	123
Department of Social Development	-	38	-	-	-	38
Provincial and Local Government	-	14	-	-	-	14
Province of KwaZulu-Natal Health	7	7	-	-	7	7
Environmental Affairs and Tourism	-	5	-	-	-	5
Department of Housing	-	29	-	-	-	29
Department of Land Affairs	-	11	-	-	-	11
Department of Minerals and Energy	-	1	-	-	-	1
Public Service Commission	-	15	-	-	-	15
National Prosecuting Authority	42	7	-	-	42	7
Department of Defence	-	39	-	-	-	39
Unemployment Insurance Fund	18	944	-	-	18	944
Statistics SA	4	-	-	-	4	-
Department of Welfare and Population Development	29	-	-	-	29	-
Mpumalanga Provincial Legislature	18	-	-	-	18	-
Subtotal	2 913	2 549	-	-	2 913	2 549
Other government entities						
Bargaining councils	10	31	-	-	10	31
Subtotal	10	31	-	-	10	31
Total	2 923	2 580	-	-	2 923	2 580

Department of Labour - Vote 17
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Annexure 6
Inter-government payables

Government entity	Confirmed balance		Unconfirmed balance		Total	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
Current						
Justice	-	-	317	651	317	651
Total	-	-	317	651	317	651
Other government entities						
Current						
Public Works (Unemployment Insurance Fund)	-	5 211	-	-	-	5 211
Public Works (CF)	-	2 400	-	-	-	2 400
Bargaining councils	-	5	-	-	-	5
Telkom	-	53	-	-	-	53
Total	-	7 669	-	-	-	7 669

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2006

Content

	Page
Report of the Auditor-General	118
Statement of Responsibility	123
Report of the Accounting Officer	124
Statement of Financial Performance	125
Statement of Financial Position	126
Statement of Changes in Net Assets	127
Cash Flow Statement	128
Notes to the Financial Statements	129
Detailed Statement of Financial Performance	135



1. AUDIT ASSIGNMENT

The financial statements as set out on pages **123** to **135**, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Accounting Officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

2.1 Audit of financial statements

The audit was conducted in accordance with International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion

3. QUALIFICATION

3.1 Audit of financial statements

Due to a lack of appropriately documented and approved policy and procedure framework, as well as the lack of independent checks and reconciliations at the Sheltered Employment

Sheltered Employment Factories

Report of the Auditor-General for the year ended 31 March 2006

Factories (the factories), the following shortcomings relating to the financial statements were noted:

- **Property, plant and equipment:** The fixed asset register was inaccurate and incomplete and contained duplicate entries. As a result, not all assets could be verified. We draw your attention to accounting policy note 1.5 stating that property, plant and equipment were not depreciated to residual value.
- **Inventories:** With reference to accounting policy note 1.6, inventories were valued at the lower of cost and net realisable value. Cost price did not include direct and related production overheads. Furthermore, obsolete stock was recorded at cost price and not at net realisable value.
- **Accounts receivable:** The validity, accuracy and completeness of accounts payable of R 1, 88 million could not be verified due to lack of supporting evidence.
- **The impairment of debtors** disclosed in the financial statements could not be verified due to a lack of supporting documentation. The provision for impairment of debtors of R13,8 million included R1,58 million that did not qualify as an asset and R400 000 that was recoverable.
- **Cash and cash equivalents:** 11 bank accounts amounting to R245 639 were not recognised in the financial statements.
- **Accounts payable:** Not all present obligations arising from past events were recognised as liabilities in the financial statements.

The accounts payable disclosed in the financial statements of R6,09 million included a provision for leave of R1,88 million. The validity and accuracy of the provision could not be verified due to inadequate supporting evidence.

- **Suspense accounts:** The annual financial statements were compiled from a ledger that contained suspense accounts of R1,82 million. These suspense accounts could not be verified due to a lack of supporting documentation.
- **Revenue:** Revenue was recognised before significant risks and rewards of ownership of goods had transferred to buyers. This was in contravention of IAS 18. Due to a lack of supporting documentation, related-party transactions disclosed in note 11 to the financial statements could also not be verified.

This was in contravention with section 40(1)(a) of the PFMA, which requires that the entity must keep full and proper records of the financial affairs.

3.2 Supply chain management

Due to a lack of policy framework to require documented contracts with major service providers, the validity of payments for operating leases of R189 200 and transport costs of

Sheltered Employment Factories
Report of the Auditor-General for the year ended 31 March 2006

R5 911 532 could not be verified.

3.3 Basis of accounting

The factories are required to prepare financial statements in accordance with the statements of South African Generally Accepted Accounting Practices (GAAP). The factories have departed from GAAP in the following respects:

- As described in note 1, the financial statements were prepared on a basis other than GAAP. The reasons for, and the nature and the financial impact of the departure were not disclosed as required by International Accounting Standards (IAS1).
- Inventories were not accounted for at the lower of cost or net realisable value. Furthermore, costs did not include costs of conversion and direct overheads (IAS2).
- Government grants: Accounting policies and conditions relating to government assistance were not disclosed (IAS20).
- Changes in accounting policy were not disclosed and prior year figures were not restated accordingly (IAS8).
- Related-party transactions were not fully disclosed (IAS24).
- Financial instruments: Accounting policies and the nature of financial instruments were not adequately disclosed (IAS32).
- Fixed assets were not appropriately accounted for and disclosed (IAS16).
- Leases were not appropriately accounted for and disclosed (IAS 17).
- Provisions were not accurately accounted for and appropriately disclosed (IAS37).

4. DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters referred to in paragraph 3 above, I do not express an opinion on the financial statements.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Non-compliance with laws and regulations

The following non-compliance with laws and regulations was identified:

- Effective and appropriate steps to collect all money were not taken by the factories,

Sheltered Employment Factories Report of the Auditor-General for the year ended 31 March 2006

which was in contravention of section 38(1)(c) of the PFMA.

- Invoices were not settled within 30 days as required by Treasury Regulations 8.2.3.
- Several payments, in excess of R2 000, were made by cheque, which was in contravention of TR 15.12.3.
- The factories were conducting the business of a medical scheme by effecting salary deductions from factory workers and defraying some or all of their medical expenses, in contravention of the Medical Schemes Act, 1998 (Act No. 131 of 1998).
- In terms of the Treasury Regulations, paragraph 6.1, the entity must submit annual budgets through the Accounting Officer of the Department. The factories did not have a proper policy and procedure framework to prepare budgets as required.

5.2 Internal control weaknesses

- Policies and procedures: There were no documented and approved policies and procedures framework at the factories for the year under review.
- Monitoring controls: Controls to reconcile accounts with supporting documentation, to pre-authorise and review journal entries and to investigate and clear suspense accounts, were lacking. This was due to lack of a control framework to perform independent checks and reconciliations.
- Formal security and disaster recovery plans have not been developed, tested and documented to ensure that information system disasters are prevented, detected or recovered from on time.

5.3 Performance audit

In terms of section 20(2)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) the information related to performance against predetermined objectives is subject to auditing by the Auditor-General.

The factories did not have a proper policy and procedure framework in place to manage the process of preparing and presenting their performance information for audit purposes.

5.4 Special investigation

In the previous financial year the Department commissioned a special investigation into material irregularities at the factories. The investigation was completed and the Department was awaiting a final decision on sanctions for the official concerned. The South African Police Services are investigating criminal aspects of the irregularities.

During the financial year another special investigation was instituted into additional irregularities that occurred at the Bloemfontein factory. The investigation was completed.

Sheltered Employment Factories
Report of the Auditor-General for the year ended 31 March 2006

I will report on the progress made with the above investigations in my next report.

5.5 SCOPA resolutions

A SCOPA hearing was held in June 2006, but no resolution has been passed.

6. APPRECIATION

The assistance rendered by the staff of the Sheltered Employment Factories during the audit is sincerely appreciated.



A H Muller
for Auditor-General

Pretoria
31 July 2006

Sheltered Employment Factories
Statement of Responsibility by the Accounting Officer for the year ended 31 March 2006

The Director-General is responsible for the maintenance of adequate accounting records and the preparation and integrity of the Financial Statements and related information. The Auditor-General is responsible for reporting on the fair presentation of the Financial Statements. The Financial Statements have been prepared by incorporating accounting conventions other than those in South African Statements of Generally Accepted Accounting Practices. The convention applied is outlined in the notes to the financial statements. The Accounting Officer is of the opinion that the Financial Statements thus prepared will not mislead the users of the Financial Statements.

The Director-General is also responsible for the system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the Financial Statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement 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 factories have adequate resources in place to continue in operation for the foreseeable future.

The Financial Statements will be audited by the Auditor-General, who will be given unrestricted access to all financial records and related data, including minutes of all management meetings held. The Auditor-General will issue a separate report on his findings.

The Financial Statements were approved by the Director-General on 26 May 2006.



Director-General of Labour
Date: 26 May 2006

Sheltered Employment Factories
Report from the Accounting Officer for the year ended 31 March 2006

Nature of operations

Sheltered Employment Factories (SEF) were established by Cabinet in 1956 (Cabinet Memorandum, 1956). The objective of the Sheltered Employment Factories is to provide economic empowerment to people with mental and/or physical disabilities, employing an average of 1 276 people with disabilities.

Income is generated from sales of manufactured goods in the various factories, ranging from wood and metal furniture, linen and bedding, upholstery and bookbinding. Income from sales as well as government grants is used to fund the expenses of the SEF. It is the vision of the SEF to enable its workers to be co-responsible for the economic success of the factories in order to reduce their dependence on government funding while simultaneously enhancing their quality of life.

Results of operations

The result of the operations is summarised in the Statement of Financial Performance and the Statement of Changes in Net Assets.

Accounting Officer

The Director-General of Labour is the Accounting Officer.

Auditor

The Auditor-General will continue to audit.

Sheltered Employment Factories
Statement of Financial Performance for the year ended 31 March 2006

	Notes	2006 R'000	2005 R'000
Revenue	1.1	50 304	62 666
Cost of sales		<u>(32 469)</u>	<u>(49 618)</u>
Gross revenue		17 835	13 048
Other income		742	70
Impairment of debtors	1.2	(788)	(12 963)
Provision for accumulated leave	1.3	94	98
Other operating costs		(44 635)	(44 762)
Administration expenses		<u>(5 476)</u>	<u>(5 034)</u>
Operating deficit before departmental grants		(32 228)	(49 543)
Departmental grants	1.4	44 686	45 391
Net surplus/(deficit) for the year		<u><u>12 458</u></u>	<u><u>(4 152)</u></u>

Sheltered Employment Factories
Statement of Financial Position for the year ended 31 March 2006

	Notes	2006 R'000	2005 R'000
Non-current assets			
Property, plant and equipment	2	19 830	16 472
Current assets		44 401	31 999
Inventories	3	17 393	17 794
Accounts receivable	4	9 177	11 480
Cash and cash equivalents		17 831	2 725
		<u>64 231</u>	<u>48 471</u>
Net assets and liabilities			
Net assets		58 141	45 683
Accumulated funds		38 311	29 211
Fixed asset fund	5	19 830	16 472
Current liabilities			
Accounts payable	6	6 090	2 788
		<u>64 231</u>	<u>48 471</u>

Sheltered Employment Factories
Statement of Changes in Net Assets for the year ended 31 March 2006

	Notes	Accumulated funds R'000	Fixed asset fund R'000	Total R'000
Balance beginning of the year - 1 April 2004		37 604	16 610	54 214
Accumulated leave not accrued in prior years	10	(2 069)	-	(2 069)
Restated balance beginning of year - 1 April 2004		<u>35 535</u>	<u>16 610</u>	<u>52 145</u>
Transfer from fixed asset fund (disposals)		-	(2 310)	(2 310)
Transfer to fixed asset fund (additions)		(2 172)	2 172	-
Net restated deficit for the year	10	<u>(4 152)</u>	<u>-</u>	<u>(4 152)</u>
Restated balance beginning of the year - 1 April 2005		29 211	16 472	45 683
Transfer from fixed asset fund (disposals)		-	-	-
Transfer to fixed asset fund (additions)		(3 358)	3 358	-
Net surplus for the year		12 458	-	12 458
Balance end of the year		<u>38 311</u>	<u>19 830</u>	<u>58 141</u>

Sheltered Employment Factories
Cash Flow Statement for the year ended 31 March 2006

	Note	2006 R'000	2005 R'000
Cash flow from operating activities	8	18 464	3 954
Cash receipts from customers		52 252	57 884
Cash paid to suppliers and employees		(78 622)	(99 328)
Cash deficit from operations		(26 370)	(41 444)
Departmental grants		44 686	45 391
Interest received		148	7
Cash flow from investing activities		(3 358)	(2 172)
Purchase of fixed assets		(3 358)	(2 172)
Net increase / (decrease) in cash and cash equivalents		15 106	1 782
Cash and cash equivalents at beginning of year		2 725	943
Cash and cash equivalents at end of year		17 831	2 725

Sheltered Employment Factories
Notes to the Financial Statements for the year ended 31 March 2006

1. Accounting policies

The Financial Statements have been prepared by incorporating other accounting conventions than those in South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. The financial statements incorporates the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, replacing the equivalent GAAP statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the Financial Statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

a. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of Financial Performance	Income Statement
Statement of Financial Position	Balance Sheet
Statement of Changes in Net Assets	Statement of Changes in Equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

b. The Cash Flow Statement has been prepared in accordance with the direct method.

c. Specific information such as:

- i. Receivables from non-exchange transactions, including taxes and transfers
- ii Taxes and transfer payables
- iii Trade and other payables from non-exchange transactions

are disclosed separately on the Statement of Financial Position.

d. The amount and nature of restrictions on cash balances (if any) is disclosed separately.

e. Paragraphs 11 - 15 of GRAP 1 has not been implemented as the budget reporting

Sheltered Employment Factories
Notes to the Financial Statements for the year ended 31 March 2006

standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the Financial Statements, non-disclosure will not affect fair presentation.

The standard applied is outlined in the following notes.

These statements comply with the principles of generally accepted accounting practice except that property, plant and equipment are reflected at historical cost price and is not subjected to depreciation. The valuation of inventories does not include direct and related production overheads.

1.1 Revenue recognition

Revenue comprises the invoiced value for sale of goods net of value-added tax, rebates, and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

1.2 Impairment of accounts receivable

The Department assesses at each reporting date whether there is objective evidence that a debtor is impaired. If any such evidence exists for debtors, the cumulative loss - measured as the difference between the initial fair value and the current fair value, less any impairment loss previously recognised - is recognised in the Income Statement.

1.3 Retirement benefits

Payments to defined contribution plans (if any) are charged as an expense as they fall due. Payments made to the State-managed retirement benefit scheme are dealt with as defined contribution plans where the factories' obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan. The factories are also liable for other post retirement benefits, such as accumulated leave, to which the workers become entitled to at retirement.

1.4 Government grants

Departmental grants are recognised as and when received.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost. Being State assets, no provision for depreciation is made to write off the cost of each asset to its residual value on a systematic basis over its estimated useful life.

1.6 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises only the cost of raw materials. Direct, other costs

Sheltered Employment Factories
Notes to the Financial Statements for the year ended 31 March 2006

and related production overheads have not been apportioned to finished goods and work in progress.

1.7 Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment when there is objective evidence that the Department will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtors may enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Financial Performance.

1.8 Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and cash held in banking institutions.

1.9 Fixed asset fund

Amounts of actual capital expenditure incurred are charged to accumulated funds as a transfer to the fixed asset fund. Similarly the cost of assets written off is charged as a debit to the fixed asset fund. The proceeds on the sale of fixed assets is credited to the Income Statement.

1.10 Related parties

All transactions and balances with national departments of Government are regarded to be transactions with related parties and disclosed separately in the Notes to the Financial Statements.

Sheltered Employment Factories
Notes to the Financial Statements for the year ended 31 March 2006

2. Property, plant and equipment	Office furniture and equipment R'000	Plant and machinery R'000	Total R'000
Year ended 31 March 2006			
Cost price at beginning of the year	1 875	14 597	16 472
Additions	135	3 223	3 358
Disposals	-	-	-
	<u>2 010</u>	<u>17 820</u>	<u>19 830</u>
Year ended 31 March 2005			
Cost price at beginning of the year	2 660	13 950	16 610
Additions	198	1 974	2 172
Disposals	(983)	(1 327)	(2 310)
	<u>1 875</u>	<u>14 597</u>	<u>16 472</u>
		2006 R'000	2005 R'000
3. Inventories			
Raw materials		11 785	10 344
Work in progress		1 378	1 865
Finished goods		4 230	5 585
		<u>17 393</u>	<u>17 794</u>
4. Accounts receivable			
Trade debtors		18 079	21 136
Unallocated receipts from debtors		(290)	(1 308)
Debtors in dispute		3 588	4 098
Unpaid cheques		545	512
Unpaid cheque control		(270)	-
Debtor - AST Africa (Pty) Ltd group		1 193	-
Staff debtors		-	1
Trade creditors		61	-
VAT		23	4
		<u>22 929</u>	<u>24 443</u>
Impairment		<u>(13 752)</u>	<u>(12 963)</u>
		<u>9 177</u>	<u>11 480</u>
5. Fixed asset fund			
Balance at the beginning of the year		16 472	16 610
Fixed asset additions		3 358	2 172
Disposals		-	(2 310)
		<u>19 830</u>	<u>16 472</u>

Sheltered Employment Factories
Notes to the Financial Statements for the year ended 31 March 2006

6. Accounts payable	2006 R'000	2005 R'000
Trade creditors	-	330
Trade accruals	1 830	476
Prepayments from debtors	1 104	-
Provision for accumulated leave	1 877	1 971
Accruals	950	11
Sundry creditors	329	-
	<u>6 090</u>	<u>2 788</u>

7. Operating lease commitments

The operating lease agreement for fixed properties is for an indefinite period. The future aggregate minimum lease payments in respect of the buildings are as follows:

Not later than 1 year	209	209
Later than 1 year and not later than 5 years	835	835
Later than 5 years (indefinite)	<u>1 044</u>	<u>1 044</u>

8. Note to Cash Flow Statement

Cash flow from operating activities		
Operating deficit before grants	(32 228)	(49 641)
Grants: Department of Labour	<u>44 686</u>	<u>45 391</u>
Operating surplus before working capital changes	12 458	(4 250)
Inventories	401	3 107
Accounts receivable	2 303	5 871
Accounts payable	3 302	(774)
Cash flow from operating activities	<u>18 464</u>	<u>3 954</u>

9. Comparative information

The Statement of Financial Performance has been restated to incorporate the reclassification of transportation costs as cost of sales:

Cost of sales as previously reported	42 465
Transportation costs	7 153
Restated cost of sales	<u>49,618</u>
Transportation costs as previously reported	8 144
Transportation costs reclassified as cost of sales	(7 153)
Restated transportation costs	<u>991</u>

Sheltered Employment Factories
Notes to the Financial Statements for the year ended 31 March 2006

10. Prior year adjustment

Net deficit as previously reported	(4 250)
Under provision of accumulated leave	98
Restated deficit for the year	<u><u>(4 152)</u></u>

11. Related parties

All national departments of Government are regarded to be related parties in accordance with Circular 4 of 2005: Guidance on the term "State-controlled entities" in the context of IAS24 (AC126) - Related Parties, issued by the South African Institute of Chartered Accountants. No transaction is implicated simply by the nature or existence of the relationships between these entities. However, the following transactions and balances were recorded relating to transactions with related parties as defined above:

	2006 R'000	2005 R'000
Sale of goods to related parties	<u> </u>	<u> </u>
Services provided by related parties	<u>1 880</u>	<u>-</u>
Year-end balances arising from sale of goods to related parties		
Receivables from related parties	<u>16 778</u>	<u>-</u>
Year-end balances arising from services provided by related parties	<u>-</u>	<u>-</u>
Remuneration paid to senior management as defined	<u>-</u>	<u>-</u>

Sheltered Employment Factories
Detailed Statement of Financial Performance for the year ended 31 March 2006

	2006 R'000	2005 R'000
Revenue	50 304	62 666
Cost of sales	<u>32 469</u>	<u>49 618</u>
Gross revenue	17 835	13 048
Other Income	742	70
Interest received	<u>148</u>	<u>7</u>
Discount received	<u>594</u>	<u>63</u>
Total income	<u>18 577</u>	<u>13 118</u>
Total expenses	50 805	62 661
Administrative expenses	<u>1 166</u>	<u>629</u>
Consumables	<u>2 488</u>	<u>2 497</u>
Provision for impairment of debtors	<u>788</u>	<u>12 963</u>
Provision for accumulated leave	<u>(94)</u>	<u>(98)</u>
Municipal charges	<u>1 975</u>	<u>2 199</u>
Operating lease expense - buildings	<u>190</u>	<u>190</u>
Printing and stationary	<u>523</u>	<u>562</u>
Professional services	<u>546</u>	<u>806</u>
Personnel expenditure	<u>41 600</u>	<u>40 897</u>
Telecommunication	<u>877</u>	<u>967</u>
Transport and delivery costs	<u>712</u>	<u>991</u>
Travelling costs	<u>34</u>	<u>58</u>
Net deficit for the year before departmental grants	<u><u>(32 228)</u></u>	<u><u>(49 543)</u></u>

National Skills Fund
Annual Financial Statements for the year ended 31 March 2006

Contents

	Page
Report of the Auditor-General	137
Report of the Accounting Officer	140
Statement of Financial Performance	145
Statement of Financial Position	146
Cash Flow Statement	147
Statement of Changes in Net Assets	148
Accounting Policies	149
Notes to the Annual Financial Statements	154
Disclosure Notes to the Annual Financial Statements	157
Annexures	159



1. AUDIT ASSIGNMENT

The financial statements as set out on pages 145 to 161, for the year ended 31 March 2006 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing, read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1.1 to the financial statements.

4. QUALIFICATION

4.1 Accounting Framework

National Treasury has indicated, subsequent to year end that revenue should be accounted for on the modified cash basis and expenditure on the accrual basis of accounting.

The NSF uses the transversal accounting system (BAS). The system cannot cater for the accrual accounting basis. Consequently, the accruals of R93 892 526 disclosed by the NSF in note 22 to the annual financial statements is materially understated.

National Skills Fund
Report of the Auditor-General for the year ended 31 March 2006

Bank and cash was disclosed in the annual financial statements of the NSF as R21,921 million (2005: overdraft R4,597million). Journal entries amounting to R2 379 642 were directly posted to the accumulated surplus fund and the bank account to correct the prior year's errors as disclosed in note 20 to the annual financial statements. Sufficient supporting documentation could not be obtained to verify or to confirm the correction of the prior year's errors.

4.2 Independent checks and reconciliations

As a result of a lack of a proper management framework for performing independent checks as well as reconciliations the following journals and transactions were either not reconciled or not substantiated by sufficient supporting documentation:

4.2.1 Other income

An amount of R288 236 was recovered relating to a long-term loan outstanding from the prior year. This amount was incorrectly accounted for as income.

No reasonable explanation and sufficient supporting documentation could be obtained to substantiate an amount of R726 539 that was incorrectly processed to income from the advances account.

5. QUALIFIED AUDIT OPINION

In my opinion except for the effect on the financial statements of the matters referred to in the preceding paragraph, the financial statements have been prepared in all material respects in accordance with the basis of accounting described in note 1.1 to the financial statements.

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

6.1 Policy and framework regarding the structure and accountability of the National Skills Fund

The National Skills Fund fulfils the description of a national public entity in terms of the Public Finance Management Act, (Act No. 1 of 1999) (PFMA). The financial statements of a public entity must be prepared on the accrual basis of accounting.

The decision regarding the legal form of the NSF is under discussion. Parliament (SCOPA) has referred matters relating to the policy framework and structure of the NSF to the Labour Portfolio Committee for further discussion and resolution.

6.2 Policy framework

The entity did not have an appropriate policy and procedure framework to write off irrecoverable accounts receivables and long-term loans. This resulted in the non adherence to Section 38(1)(c)(i) of the PFMA.

6.3 Lack of monitoring

As a result of a lack of a proper management monitoring framework no procedures were set by management to monitor the following:

6.3.1 Funds not utilised – Manpower Development Authority of Bophuthatswana [MANDAB]

An amount of R41 227 608 (including interest earned on initial investment of R16 042 484) was included in investments. The initial amount was transferred to the National Skills Fund by MANDAB on 1 November 1999 and was earmarked for training in the North West Province. At year-end an amount of R23 781 649 had been contracted and a total amount of R9 106 584 had been expensed. (R7 878 976 during the current year.)

The MANDAB steering committee members' terms of office were not extended and at their last meeting delegated their responsibilities entrusted to them by section 2(2) of the Integration Act, to the provincial selection committee. The above law does not allow for the delegation of these powers by the steering committee.

The control environment maintained by management with regard to proper supporting documentation, segregation of duties, the declaration of interest and approval of training providers was inadequate.

7. APPRECIATION

The assistance rendered by the staff of the National Skills Fund during the audit is sincerely appreciated.



N Manik for Auditor-General

Pretoria

31 July 2006

National Skills Fund
Report of the Accounting Officer for the year ended 31 March 2006

Report of the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

1. General review of the state of affairs

The primary objective of the National Skills Fund is stipulated in the Skills Development Act, namely that the money in the NSF may be used only for the projects identified in the National Skills Development Strategy (NSDS) as national priorities or for such other projects related to the achievement of the purposes of the Act as the Director-General of the Department of Labour determines. Given the commitment of government to act in a more concerted fashion, the flexibility given to the Director-General in the latter part of afore mentioned clause of the Act, allows the Department to take into account other government policy/priority imperatives in the allocation of these funds. These might include the HRD Strategy; Growth, Employment and Investment strategies and Social Development priorities.

At the first National Skills Conference in February 2001, the Minister announced the new Funding Windows for the NSF, which saw an alignment between the objectives of the NSDS and the Funding Windows. However, when the 2002 – 2003 NSDS Implementation Report revealed that progress towards achievement of the learnership target in the NSDS was slow, a new Learnership Funding Window was added. The agreement on learnerships for unemployed learners at the Growth and Development Summit was also introduced for this purpose – an agreement that further gave impetus to the Learnership Funding Window.

The second phase of the Strategy, NSDS 2005-2010 was launched in March 2005. Herewith follows a brief description of each of the current funding windows as adopted during the 2005/06 financial year. It should however be stated upfront that the 2005/06 financial year was a transitional year, because many financial transactions relevant to the NSF funding windows applicable to the 2000-2005 NSDS has continued to take place in this close-out period. The Operating Expenses indicated in Note 5 of the Financial Statements shall therefore still reflect expenditures relevant to the NSF funding windows in the process of phase-out.

National Skills Fund's Funding Windows 2005 – 2010

Herewith follows a brief description of each of the current funding windows:

(1) *Social Development Initiatives Funding Window*

This NSF funding window is in support of NSDS indicator 3.1 namely to finance training whereby unemployed or under-employed people are equipped with skills to promote their employability and sustainable livelihoods, including training for Expanded Public Works Programmes (EPWP).

In the case of the Social Development Initiatives window, the Department of Labour's provincial offices are the disbursing agents. They have an established delivery model based on evaluating project-linked training applications against set criteria. The said criteria include considerations around whether the proposed project, for which the training is

intended, is part of the Provincial Skills Plan, Integrated Rural Development Strategy, Urban Renewal Strategy, Local Economic Development Strategy and whether the beneficiaries will be placed in such projects once training is complete.

(2) *ABET (Adult Basic Education and Training) for unemployed people Funding Window*

The purpose of the ABET funding window is to support the NSDS Indicator 3.3, namely to promote employability and sustainable livelihoods through skills development. This would be achieved through the provision of resources to allow 100 000 unemployed people to participate in ABET level programmes by 2010, of which at least 70% must achieve ABET level 4.

(3) *Critical Skills Support Funding Window*

This funding window is in support of NSDS indicator 1.2 namely that information on critical skills is widely available to learners. Furthermore the funding window also supports the NSDS indicator 4.1 namely to assist designated groups including new entrants to participate in accredited work-integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment.

(4) *Provisioning Support Funding Window*

This NSF funding window is in support of NSDS indicator 2.4 and 5.3 namely that at least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour, as well as to improve the quality of the services delivered by skills development institutions and those institutions responsible for the implementation of the National Qualifications Framework (NQF) in support of the NSDS.

(5) *Industry Support Programme Funding Window*

This NSF funding window is in support of NSDS indicator 2.6 namely to annually increase the number of people who benefit from incentivised training for employment or re-employment in new investments and expansion initiatives.

(6) *Informal Sector Support Funding Window*

Objective 3 of the NSDS speaks to the promotion of employability and sustainable livelihoods through skills development. In line with the afore mentioned, the NSF through this funding window will support the NSDS indicator 3.2 through skills development support to non-levy paying enterprises, Non-governmental Organisations (NGOs), Community Based Organisations (CBOs) and Community-based Cooperatives.

Secondly, the funding window will support NSDS indicators 4.3 and 5.2, whereby new entrants will be assisted to establish sustainable new ventures by providing training and mentoring in terms of Objective 4. In respect of the latter, the NSF will top-up SETA discretionary new venture creation grants.

(7) *Constituency Capacity Building and Advocacy Funding Window*

The Department of Labour is dependent on the various stakeholders in the area of skills development, for the successful implementation of the NSDS. This new NSF funding window is therefore primarily aimed at capacity building of constituency organisations represented on the National Skills Authority in order that they may discharge of their mandate related to the NSDS and the Skills Development Act.

(8) *Special Projects Funding Window*

These NSF funding windows is in support of NSDS indicators in general, as well as the cross-cutting NSDS principles, and include:

- promotion of the NSDS
- research and impact studies related to the NSDS
- supplementary support to people with disabilities such as assistive devices to access learning and training material in order that they may derive full benefits of skills development initiatives.

(9) *Discretionary and Innovation Projects Funding Window*

This funding window gives expression to one of the provisions of the Skills Development Act by giving the Director- General of Labour the discretion to fund any other projects in support of the objectives of the Act.

(10) *Strategic Projects Funding Window*

The Strategic Projects is not a funding window but rather an implementation model that allows the use of integrated projects to achieve goals and targets set for the NSF in the NSDS. The model uses the criteria and budget across a number of selected funding windows and is primarily targeted at projects supporting implementation of Provincial Growth and Development Strategies.

Legislation

The National Skills Fund (NSF) was established in 1999 in terms of the Skills Development Act, 1998. The revenue sources for the Fund are:

- A total of 20% of the skills development levies as contemplated in the Skills Development Levies Act
- The skills development levies collected and transferred to the Fund, in terms of the Skills Development Levies Act, in respect of those employers or sectors for which there are no SETAs
- Money appropriated by Parliament for the Fund
- Interest earned on investments
- Donations to the Fund
- Money received from any other source.

The Minister of Labour decides on the allocation of subsidies from the NSF after receiving

National Skills Fund

Report of the Accounting Officer for the year ended 31 March 2006

advice from the National Skills Authority (NSA) as set out in the Act. The NSA is a statutory advisory body to the Minister of Labour on the National Skills Development Strategy. The NSA is constituted from a cross section of stakeholders from government, organised business, organised labour, education and training providers and community constituency representatives.

The Director-General of Labour is the Accounting Officer of the Fund in terms of the Public Finance Management Act, 1999 (PFMA) and must:

- Control the Fund
- Keep a proper record of all financial transactions, assets and liabilities of the Fund
- As soon as possible after the end of each financial year, ending on the prescribed date, prepare accounts of the income and expenditure of the Fund for the year and a balance sheet of its assets and liabilities as at the end of that year.

The Director-General is thus ultimately responsible and accountable to the Minister and Parliament for money spent from the NSF. Within the framework of the Director-General's delegation of authority, the day to day operations of the NSF are managed by the Senior Executive Manager of the National Skills Fund.

2. Financial management improvement

2.1 NSF accounts on the Basic Accounting System (BAS)

Separate expenditure accounts for the NSF have been created on the Basic Accounting System (BAS) and have been introduced with effect from 1 April 2004. A separate database has been created for the NSF and was implemented with effect from 1 April 2006.

2.2 Corporate governance

Risk management

The activities of the NSF are covered within the comprehensive risk assessment done by the Directorate of Internal Audit of the Department.

Fraud prevention

The activities of the NSF are covered within the Good Governance Policy, which includes fraud prevention, compiled by the Directorate of Internal Audit.

Internal Audit and Audit Committee

The internal audit function for the NSF has been outsourced under the management of the Directorate of Internal Audit.

The established audit committee of the Department of Labour also addresses the activities related to the National Skills Fund.

National Skills Fund
Report of the Accounting Officer for the year ended 31 March 2006

2.3 Other PFMA requirements

The NSF forms part of the Programme of Employment and Skills Development Services and Human Resources Development of the Department and as such report through the structures and processes of the Department in compliance with the PFMA, namely:

- **NSF Strategic Plan** – is derived from the Strategic Plan of the Department, which has been approved by the Executive Authority and tabled in the Legislature in terms of Treasury Regulation 5.2.1
- **Quarterly reporting** – forms part of the quarterly reporting process on performance against the Strategic Plan of the Department. Furthermore the NSF submits quarterly reports on its cash-flow to the National Treasury in the prescribed format and timeframes
- **Actual revenue and expenditure projections** – the relevant information that forms part of the MTEF and ENE processes are submitted to the Chief Financial Officer of the Department in the prescribed format and timeframes
- **Annual financial statements** – these statements are compiled by the Chief Financial Officer of the Department and have been submitted timeously for audit purposes
- **Annual report** – information with regard to the NSF are covered within the Annual Report of the Department
- **Annual report, financial statements and audit reports** – these reports form part of the Annual Report of the Department, which were timeously tabled in the Legislature for the 2004/05 financial year.

Approval

The annual financial statements have been approved by the Accounting Officer.



Dr. VM Mkosana

Director-General of Labour

Date: 30 May 2006

National Skills Fund
Statement of Financial Performance for the year ended 31 March 2006

	Notes	2005/06 R'000	2004/05 R'000
Revenue		1 119 710	1 085 275
Skills development levy income	1	976 666	945 079
State contribution	2	40 251	37 973
Investment income	3	92 138	97 845
Other income	4	10 655	4 378
Expenses		644 363	1 189 884
Operating expenses	5	579 915	1 114 270
Collection costs to SARS		55 052	55 424
Management fees paid to PIC		164	160
2% Administration Costs	15	9 232	7 362
Realised investment loss written off	6	-	8
Debts written off	6	-	12 660
Surplus for the year		475 347	(104 609)

National Skills Fund
Statement of Financial Position for the year ended 31 March 2006

	Notes	2005/06 R'000	2004/05 R'000
Assets			
Current assets		1 672 702	1 200 589
Fruitless and wasteful expenditure	7	1 073	700
Cash and cash equivalents	14	21 921	-
Advances	8	1 902	1 073
Receivable	9	68	68
Investments	10	1 647 738	1 198 748
Non-current assets		362	650
Long-term loans	11	362	650
Total assets		1 673 064	1 201 239
Liabilities			
Current liabilities		407	7 688
Accounts payable	12	407	3 091
Bank overdraft	14	-	4 597
Net assets			
Accumulated funds		1 672 657	1 193 551
Opening balance		1 193 551	1 298 160
Net surplus/(deficit) for the year		475 347	(104 609)
Previous year error	20	3 759	-
Total net assets and liabilities		1 673 064	1 201 239

National Skills Fund
Cash Flow Statement for the year ended 31 March 2006

	Notes	2005/06 R'000	2004/05 R'000
Cash flows from operating activities			
Cash received		578 455	1 068 459
Cash paid		<u>(644 363)</u>	<u>(1 177 216)</u>
Cash generated from operations	13	<u>(65 908)</u>	<u>(108 757)</u>
Interest received		<u>92 138</u>	<u>97 845</u>
Net cash from operating activities		<u>26 230</u>	<u>(10 912)</u>
Net cash from investing activities		<u>288</u>	<u>-</u>
Decrease/(increase) in long-term loans		<u>288</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>26 518</u>	<u>(10 912)</u>
Cash and cash equivalents at beginning of year		<u>(4 597)</u>	<u>6 315</u>
Cash and cash equivalents at end of year	14	<u><u>21 921</u></u>	<u><u>(4 597)</u></u>

National Skills Fund
Statement of Changes in Net Assets for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
Balance at 1 April 2005		1 193 551	1 298 160
Net surplus/(deficit) for the year		475 347	(104 609)
Previous year error	20	3 759	-
Balance at 31 March 2006		<u><u>1 672 657</u></u>	<u><u>1 193 551</u></u>

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared in accordance with a decision taken by National Treasury that in the interim, the NSF may continue to account for revenue using the Modified Cash Basis of accounting since NSF utilises the financial systems of the Department of Labour. Since the information regarding expenses is available, all expenditure transactions will be recorded according to the accrual basis of accounting by means of disclosure notes.

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.

2. Revenue

2.1 Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act no. 9 of 1999), registered member employers pay a skills development levy of 1% of their total payroll cost to the South African Revenue Service (SARS), who collects the levies on behalf of the Department of Labour.

A total of 20% of skills development levies are paid over to the NSF and 80% to the SETA's. The NSF could not verify that the SARS has collected all potential skills levy income.

Revenue recognition of levy income represents amounts received from the Department of Labour. The skills development levy revenue is acknowledged on the cash basis.

2.2 Interest income

Interest and dividends received are recognised upon receipt of the funds, and no accrual is made for interest or dividends receivable from the last receipt date to the end of the

reporting period. Interest is recognised as revenue in the financial statements of the NSF.

2.3 State contributions

Revenue recognition of State contributions represents transfer payments received from the Department of Labour. State contributions is acknowledged on receipt.

2.4 Fines, penalties and forfeits

Revenue arising from fines, penalties and forfeits is recognised in the statement of financial performance when the cash is received.

3. Current expenditure

3.1 Payments for the training of unemployed people

The training of unemployed people is undertaken by selected training contractors on the basis of a predetermined course fee per day. Upon completion of training, certified claims are submitted by training contractors upon which payment is made.

3.2 Funds allocated to the SETAs for special projects

The NSF allocated funds in respect of special projects to the SETAs. If eligible expenses are not incurred, the amount advanced to the SETAs has to be refunded to the NSF.

3.3 Collection cost paid to SARS

In terms of section 10 (2) of the Skills Development Levies Act, 1999 (Act no. 9 of 1999), the Director-General must, on a monthly basis as may be agreed between SARS and the Director-General, defray the costs of collection by SARS from the levies paid into the National Skills Fund. The total amount of collection costs may not exceed 2% of the total amount of the levies collected by SARS.

3.4 NSF 2% administration costs

According to section 28 (2) of the Skills Development Act, 1998 the Director-General approved the utilisation of 2% of the money allocated to the Fund in terms of section 8(3) (a) of the Skills Development Levies Act to administer the Fund.

3.5 Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages 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).

Short-term employee benefits that give rise to a present legal or constructive obligation are

disclosed in the notes to the financial statements. These amounts are not recognised in the statement of financial performance.

3.6 Goods and services

Payments made 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 services were used on a capital project.

3.7 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.

3.8 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

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

3.9 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

3.10 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.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and bank overdrafts.

4.2 Prepayments and advances

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made.

4.3 Receivables

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

4.4 Investment

In terms of section 29 (2) of the Skills Development Act, 1998 (Act no. 97 of 1998) any money in the Fund not required for immediate use is invested with the Public Investment Corporation.

Non-current investments are shown at cost and adjustments are made only where in the opinion of the accounting officer, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

4.5 Loans

Loans are recognised in the Statement of Financial Position at the nominal amount. Amounts that are potentially irrecoverable are included in the disclosure notes.

4.6 Property, plant and equipment

4.6.1 Property, plant and equipment utilised by the NSF

The Director-General of the Department of Labour is the accounting officer of the Fund in terms of the PFMA and must control the Fund.

No provision has been made for property, plant and equipment, as all property, plant and equipment utilised by the NSF are owned, controlled and disposed of by the Department of Labour.

4.6.2 Property, plant and equipment acquired by the SETAs for NSF special projects

Property, plant and equipment acquired by the SETAs for NSF special projects are capitalised in the financial statements of the SETAs, as the SETAs control such assets for the duration of the project. Such assets could, however, only be disposed of in terms of an agreement and specific written instructions by the NSF.

5. Liabilities

5.1 Payables

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

5.2 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 Annexure A.

6. Long-term loans

The loans are secured by mortgage bonds over immovable assets of the borrowers, and are repayable over 20 years.

7. Taxation

No provision has been made for taxation, as the NSF is exempt from income tax in terms of section 10 of the Income Tax Act.

8. Provisions

A provision is a liability of uncertain timing or amount. Provisions are not normally recognised under the cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the financial statements.

National Skills Fund
Notes to the Annual Financial Statements for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
1. Skills Development Levy Income		
In terms of the Skills Development Act and the Skills Development Levies Act, the following applied during the period under review:		
Percentage of payroll payable as a Skills Development Levy	1%	1%
National Skills Fund (20%)	976 666	945 079
Withheld by the Department of Labour and paid to the SETA's (80%)	3 906 664	3 780 317
Total gross levies contributed by employers	<u>4 883 330</u>	<u>4 725 396</u>
2. State contribution		
Transfer payments received from the Department of Labour	<u>40 251</u>	<u>37 973</u>
3. Investment income		
Interest received	<u>92 138</u>	<u>97 845</u>
	<u>92 138</u>	<u>97 845</u>
4. Other income		
Revenue received for Social Plan	66	487
Revenue received from the Department of Defence	-	3 732
Revenue received from Steyn Gold Mine	177	-
Repayment of Loans	288	-
Repayment of Advances	1 342	-
Revenue received from Anglo Gold	690	159
Utilised prior years funds received	8 092	-
	<u>10 655</u>	<u>4 378</u>
5. Operating expenses		
Social development	175 368	109 433
Strategic projects	80 267	648 302
Skills support programme	7 997	13 426
Learnerships	215 968	229 945
Bursaries	75 277	51 045
Innovation and research	226	3 149
Capacity building: SETA stakeholders	821	-
Promotion of NSDS	3 378	28 137
Service Corps	2 006	1 100
MANDAB	7 879	151
NSF: other expenditure	10 728	29 582
	<u>579 915</u>	<u>1 114 270</u>

National Skills Fund
Notes to the Annual Financial Statements for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
6. Debts written off		
Realised investment loss written off	-	8
Debts written off	-	12 660
	<u>-</u>	<u>12 668</u>
7. Fruitless and wasteful expenditure		
7.1 Reconciliation of fruitless and wasteful expenditure		
Opening balance	700	-
Fruitless and wasteful expenditure - current year		
Current	373	700
Fruitless and wasteful expenditure awaiting condonement	<u>1 073</u>	<u>700</u>
7.2 Analysis of current fruitless expenditure		
Incident: Disciplinary steps taken		
The National Skills Fund incurred expenditure of R1 072 780.00 relating to an amount of R 700 000.00 paid to Gallagher Estate as well as an amount of R372 780.00 paid to Ikhono Communications for conferences scheduled. These conferences were however cancelled, thus rendering the expense as fruitless. An investigation is currently in process in accordance with standard disciplinary procedures and legislation, to determine the appropriate action to be taken.		
8. Advances		
Advances to private entities	560	-
Advances to training providers	1 342	1 073
	<u>1 902</u>	<u>1 073</u>
9. Receivable		
Dishonoured cheque	50	50
Other disallowance	18	18
	<u>68</u>	<u>68</u>
10. Investments with the PIC	<u>1 647 738</u>	<u>1 198 748</u>
11. Long-term loans		
Opening balance	650	13 825
Repayments received	(288)	(515)
Capital and interest written off	-	(12 660)
	<u>362</u>	<u>650</u>

National Skills Fund
Notes to the Annual Financial Statements for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
12. Accounts payable		
Advance	-	3,091
Payable	<u>407</u>	<u>-</u>
	<u>407</u>	<u>3,091</u>
13. Net cash flow generated by operating activities		
Operating profit before working capital changes and interest		
Net surplus/(deficit) for the year	475 347	(104 609)
Interest received	<u>(92 138)</u>	<u>(97 845)</u>
	<u>383 209</u>	<u>(202 454)</u>
Cash generated (utilised) to (increase)/decrease working capital		
(Increase)/decrease in receivables	(1 202)	12 475
Increase/(decrease) in payables	1 075	-
(Increase)/decrease in other current assets	<u>(448 990)</u>	<u>81 222</u>
	<u>(449 117)</u>	<u>93 697</u>
	<u>(65 908)</u>	<u>(108 757)</u>
14. Cash and cash equivalents		
Bank and cash	21 921	(106 059)
Cash in transit	<u>-</u>	<u>101 462</u>
	<u>21 921</u>	<u>(4 597)</u>
15. Related party transactions		
Department of Labour		
2% Administration Costs paid by the Dept. of Labour	<u>9 232</u>	<u>7 362</u>
16. Key management personnel	No of individuals	
Political office bearers	-	-
Officials	-	-
Level 15 to 16	-	-
Level 14	1	443
	<u>479</u>	<u>443</u>

These notes to the annual financial statements are not recognised in the financial statements and are disclosed to enhance the usefulness of the financial statements.

National Skills Fund

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
17. Commitments		
Contracted commitments - Annexure A		
Strategic projects by SETAs	125 732	241 197
Skills support programme projects	112 363	73 201
Innovation and research	6 316	6 647
Funding for learnerships	242 706	369 174
Social development initiatives	207 634	88 815
Total future expenditure	<u>694 751</u>	<u>779 034</u>
18. Contingent liabilities		
Employee benefits		
Leave entitlement	563	-
Thirteenth cheque	840	-
Performance awards	-	-
Capped leave commitments	1 966	-
	<u>3 369</u>	<u>-</u>
Note: Previous year amounts disclosed in Department of Labour's Financial Statements.		
19. Accrued PIC amounts not recognised in the Financial Statements		
Interest	202	-
Management fees	17	-
Unrealised losses	(31)	-
Investment	<u>188</u>	<u>-</u>
20. Previous year error	<u>3 759</u>	<u>-</u>
Accumulated funds for the current financial year is reflected as R1 669 305 944.88 and the Trial Balance as R1 673 064 410.23. This amounts to a difference of R3 758 465.35 due to previous year's errors, indicated as a line item in the 2005/06 financial statements.		
The amount of R3 758 465.35 is made up of an incorrect investment at the PIC of R2 017 877.05, which was subsequently corrected and allocated to the account: Advances to Public Entities. The difference comprises of a Trial Balance error of R1 378 824.30 in the 2004/05 financial year and an amount of R361 764.00 resulting from the creation of a debtors account, which increased the balance of the Exchequer Account.		
21. Accounts receivable		
Unspent funds SETAs	60 583	-
Outstanding levy income for March 2006 (20%)	<u>86 618</u>	<u>-</u>
	<u>147 201</u>	<u>-</u>

National Skills Fund
Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

22. Accruals

Identified amount	<u>93 893</u>	<u>-</u>
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Accruals to the amount of R93 892 526.62 also forms part of multi-year commitments disclosed in Annexure A as well as note 17 above.

23. Change of accounting policies

The accounting policies were changed to be in accordance with guidelines issued by the National Treasury.

24. Accounting method used

Historically the National Skills Fund was regarded as part of the Department of Labour. Although separate Financial Statements, consisted of a Statement of Financial Performance, Statement of Financial Position as well as a Cash Flow Statement were prepared, the results of its operations and its cash flows were prepared in accordance with the guidelines issued by the National Treasury for national departments and the Financial Statements have been prepared on a modified cash basis supplement with additional disclosure notes on accrual information.

The National Skills Fund does not make use of a separate bank account and all transactions are flowing through the combined Paymaster-General Account of the Department.

The financial system used by the Department and the National Skills Fund are a cash system of accounting, and no accrual information are presently available from the system.

All accrual information available from registers, or any other method used manually by the National Skills Fund for control purposes are disclosed in separate disclosure notes for the year under review.

25. Provision for doubtful debt

	Notes	2005/06 R'000
Advances	8	1 342
Fruitless expenditure	7	1 073
Receivables	9	68
Long-term loans	11	<u>362</u>
		<u>2 845</u>

National Skills Fund
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Projects	Contractual commitment	Less amount transferred prior years	Less amount transferred 2005/06	Commitment to be transferred
Sector Education and Training Authorities	R'000	R'000	R'000	R'000
FASSET				
Strategic Project (Eastern Cape)	62 609	-	22 391	40 218
Strategic Project (Limpopo Province and KwaZulu-Natal)	76 882	32 868	13 653	30 361
BANKSETA				
Learnership Programme	15 250	-	15 206	44
CHIETA				
Learnership Programme	24 951	-	4 098	20 853
CETA				
Learnership Programme	37 500	-	-	37 500
SASSETA				
Strategic Project	56 000	3 420	4043	48 537
ETDPSETA				
Learnership Programme	12 500	-	3 125	9 375
FOODBEV				
Learnership Programme	7 125	-	-	7 125
HWSETA				
Learnership Programme	18 720	-	6 880	11 840
ISSETT				
Learnership Programme	10 125	-	3 038	7 087
LGWSETA (LGSETA)				
Learnership Programme	70 100	24 717	22 890	22 493
Learnership Programme	12 500	-	-	12 500
PAETA (AGRISETA)				
Learnership Programme	17 500	-	2 737	14 763
PSETA				
Learnership Programme	106 778	19 375	52 326	35 077
SERVICES				
Learnership Programme	25 000	-	8 450	16 550
DITSELA				
Strategic Project	9 217	-	2 601	6 616
Total	562 757	80 380	161 438	320 939

Note: The contracts are awarded for more than one year

National Skills Fund
Annexure to the Annual Financial Statements for the year ended 31 March 2006

Projects	Contractual commitment	Less amount transferred prior years	Less amount transferred 2005/06	Commitment to be transferred
Employment and Skills Development Lead Employers: Learnership Programmes	R'000	R'000	R'000	R'000
Emosa	11 869	-	8 460	3 409
Goldfields FET College	10 541	-	5 974	4 567
Isivuno	8 654	-	775	7 879
KwaZulu-Natal Agency	15 770	-	7 941	7 829
LM Skills Development Agency	1 964	-	619	1 345
Mpumalanga Agency	9 682	-	3 240	6 442
North West Agency	3 999	-	1 816	2 183
Progression	4 409	-	2 438	1 971
Project Eagle	12 442	-	3 286	9 156
South Cape College	5 377	-	3 102	2 275
OWL Business Training	877	-	434	443
Total	85 584	-	38 085	47 499
Other				
Skills support programme projects	152 478	32 118	7 997	112 363
Innovation and research	11 746	5 205	225	6 316
Social development initiatives	359 222	-	175 370	183 852
MANLAB	31 661	-	7 879	23 782
Total	555 107	37 323	191 471	326 313

Note: The contracts are awarded for more than one year

National Skills Fund
Annexure to the Annual Financial Statements for the year ended 31 March 2006

The following contractual commitments were finalised and closed off during the current financial year.

Projects

Sector Education and Training Authorities

BANKSETA

Strategic Project

CTFL

Strategic Project

Learnership Programme

ISETT

Strategic Project

Learnership Programme

MERSETA

Strategic Project

Learnership Programme

MQA

Strategic Project

PAETA (AGRISETA)

Learnership Programme

THETA

Strategic Project

TETA

Strategic Project

Learnership Programme

W&RSETA

Learnership Programme

INSETA

Learnership Programme

MAPPP

Strategic Project

Note: The contracts are awarded for more than one year

SECTION 5

HUMAN RESOURCES MANAGEMENT

1. Expenditure

Department's budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (**Table 1.1**) and by salary bands (**Table 1.2**). 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 1.1 – Personnel costs by programme, 2005/ 06

Programme	Total voted expenditure (R'000)	Compensation of employees (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Compensation of employees as a % of total expenditure	Average Compensation of employees cost per employee (R'000)
Administration	218 656	48 495	800	169 361	3.97	175
Service Delivery	532 307	314 940	2 870	214 497	25.77	120
Employment and Skills Development Services	117 428	35 670	737	81 021	2.92	113
Labour Policy and Labour Market Programmes	349 008	26 212	306	322 490	2.14	193
Social Insurance	4 931	0	0	4 931	0	0
Statutory Funds	4 883 330	0	0	0	0	0
Theft and losses	11	0	0	0	0	0
Total as on financial systems (BAS)	6 105 671	425 317	4 713	792 300	6.97	127

Table 1.2 – Personnel costs by salary bands, 2005/ 06

Salary bands	Personnel expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	11 951	2.81	48
Skilled(Level 3-5)	132 250	31.09	76
Highly skilled production (Level 6-8)	187 052	43.98	138
Highly skilled supervision (Levels 9-12)	75 604	17.78	234
Senior management (Levels 13-16)	18 460	4.34	512
Total	425 317	100.00	

The following tables provide a summary per programme (**Table 1.3**) and salary bands (**Table 1.4**), 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 1.3 – Salaries, overtime, home owners allowance and medical assistance by programme, 2005/ 06

Programme	Salaries		Overtime		Home owners allowance (HOA)		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Programme 1: Administration	48 495	11.40	1 021	0.24	424	0.10	1 884	0.44
Programme 2: Service Delivery	314 940	74.05	702	0.17	3 464	0.82	15 965	3.75
Programme 3: Employment and Skills Development Services	35 670	8.39	724	0.17	382	0.09	1 423	0.34
Programme 4: Labour Policy and Labour Market Programmes	26 212	6.16	-	-	181	0.04	1 041	0.25
Programme 5: Social Insurance	-	-	-	-	-	-	-	-
Total	425 317	100	2 447	0.58	4 451	1.05	20 313	4.78

Table 1.4 – Salaries, overtime, home owners allowance and medical assistance by salary bands, 2005/06

Salary bands	Salaries		Overtime		Home owners allowance (HOA)		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Lower skilled (Levels 1-2)	11 951	2.81	289	0.07	264	0.06	1 358	0.32
Skilled (Levels 3-5)	132 250	31.09	932	0.22	1 177	0.28	6 946	1.63
Highly skilled production (Levels 6-8)	187 052	43.98	976	0.23	2 406	0.57	9 318	2.19
Highly skilled supervision (Levels 9-12)	75 604	17.78	250	0.06	604	0.14	2 237	0.53
Senior management (Levels 13-16)	18 460	4.34	-	-	-	-	454	0.11
Total	425 317	100	2 447	0.58	4 451	1.05	20 313	4.78

2. 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 2.1**), salary band (**Table 2.2**) and critical occupations (**Table 2.3**). **Table 2.3** 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 2.1 – Employment and vacancies by programme, 31 March 2006

Programme	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Administration	371	296	20.2	34
Service Delivery	3 223	2 791	13.4	200
Employment and Skills Development Services	414	345	16.7	13
Labour Policy and Labour Market Programmes	165	127	23	2
Social Insurance	3 908	3 513	10.1	175
Total	8 081	7 072	12.5	424

Table 2.2 – Employment and vacancies by salary bands, 31 March 2006

Salary band	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	426	357	16.2	4
Skilled (Levels 3-5)	3 821	3 442	9.9	364
Highly skilled production (Levels 6-8)	2 992	2 574	14	25
Highly skilled supervision (Levels 9-12)	754	627	16.8	23
Senior management (Levels 13-16)	88	72	18.2	8
Total	8 081	7 072	12.5	424

Table 2.3 – Employment and vacancies by critical occupations, 31 March 2006

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Administrative related	2 828	2 506	11.4	326
Artisans	43	35	18.6	0
Cleaners	162	149	8	0
Client service officers	1 377	1 258	8.6	0
Communication related	33	27	18.2	2
Employment Service Practitioners	212	193	9	0
Financial related	537	446	16.9	22
Food services aid	17	13	23.5	0
Head of Department	1	1	0	0
Housekeepers, laundry and related	11	9	18.2	2
Human resources related	365	342	6.3	8
Information technology	38	2	94.7	0
Inspectors	1 157	1 012	12.5	4
Legal related	12	10	16.7	2
Librarian and related	1	1	0	0
Drivers	4	3	25	0
Logistical support and related	579	526	9.2	31
Medical practitioners	27	19	29.6	14
Messengers	122	92	24.6	3
National technical examiners	43	29	32.6	0
Production advisors	2	1	50.0	0
Minister	1	1	0	0
Security related	198	135	31.8	0
Secretarial related	158	138	12.7	2
Senior management	80	65	18.8	8
Trade labourers	73	59	19.2	0
Total	8 081	7 072	12.5	424

The figures in **Tables 2.1, 2.2 and 2.3** include Interns, Learners, Contract employees and member of Statutory Advisory Bodies of the Department of Labour.

The information in each case reflects the situation as at 31 March 2006. For an indication of changes in staffing patterns over the year under review, please refer to section 4 of this report.

3. Job evaluation

The following table (**Table 3.1**) 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.

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	% of posts upgraded	Number	% of posts downgraded
Lower skilled (Levels 1-2)	426	4	0.9	30	7.0	0	0
Skilled (Levels 3-5)	3 821	21	0.5	2 936	76.8	0	0
Highly skilled production (Levels 6-8)	2 992	63	2.1	731	24.4	0	0
Highly skilled supervision (Levels 9-12)	754	63	8.4	133	17.6	0	0
Senior management Service band A	63	9	14.3	15	23.8	0	0
Senior management Service band B	18	2	11.1	2	11.1	0	0
Senior management Service band C	5	1	20.0	0	0	0	0
Senior management Service band D	2	1	50.0	1	50.0	0	0
Total	8 081	164	2.0	3 848	47.6	0	0

Table 3.1 – Job evaluation, 1 April 2005 to 31 March 2006

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 3.2 - Employees whose salary level exceed the grade determined by job evaluation, 1 April 2005 to 31 March 2006 (in terms of PSR 1.V.C.3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Administrative related	1	SR3	SR6	Counter offer
Administrative related	1	SR7	SR8	Counter offer
Administrative related	2	SR8	SR8	Counter offer
Administrative related	1	SR9	SR10	Counter offer
Administrative related	1	SR11	SR11	Counter offer
Financial related	1	SR3	SR7	Counter offer
Human Resources related	1	SR8	SR9	Counter offer
Information Technology	1	SR11	SR11	Counter offer
Total Number of Employees whose salaries exceeded the level determined by job evaluation in 2005/06				9
Percentage of total employment				0.13

Table 3.3 summarises the beneficiaries of the above in terms of race, gender and disability.

Table 3.3 - Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2005 to 31 March 2006 (in terms of PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female*	5	0	0	0	5
Male	4	0	0	0	4
Total	9	0	0	0	9

Employees with a disability

Total number of employees whose salaries exceeded the grades determined by job evaluation in 2005/06 - None

4. 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 4.1**) and by critical occupations (**Table 4.2**).

Table 4.1 – Annual turnover rates by salary band for the period 1 April 2005 to 31 March 2006

Salary band	Number of employees per band as on 1 April 2005	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate %
Lower skilled (Levels 1-2)	438	60	33	7.5
Skilled (Levels 3-5)	2 668	1 438	426	16
Highly skilled production (Levels 6-8)	2 451	120	162	6.6
Highly skilled supervision (Levels 9-12)	595	61	48	8.1
Senior management Service band A	50	8	7	14
Senior management Service band B	11	0	0	0
Senior management Service band C	5	1	0	0
Senior management Service band D	1	0	0	0
Total	6 219	1 688	676	10.9

Table 4.2 – Annual turnover rates by critical occupation for the period 1 April 2005 to 31 March 2006

Occupation	Number of employees per occupation as on 1 April 2005	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related	1 903	290	165	8.7
Artisans	36	1	1	2.8
Cleaners	149	14	9	6
Client service officers	1 034	461	176	17
Communication related	23	8	2	8.7
Employment Service Practitioners	166	10	9	5.4
Financial related	272	86	23	8.5
Food services aid	12	2	0	0
Head of Department	1	0	0	0
Housekeepers, laundry and related	10	0	0	0
Human resources related	414	82	31	7.5
Information technology	2	0	0	0
Inspectors	1 058	470	174	16.4
Legal related	9	6	1	11.1
Librarian and related	1	0	0	0
Drivers	4	0	1	25
Logistical support and related	580	158	38	6.6
Medical practitioners	6	14	1	6.7
Messengers	91	18	8	8.8
Minister	1	0	0	0
National technical examiners	37	3	8	21.6
Production advisors	1	0	0	0
Security related	124	25	5	4
Secretarial related	162	26	14	8.6
Senior management	61	8	5	8.2
Trade labourers	62	6	5	8.1
Total	6 219	1 688	676	10.9

Table 4.3 identifies the major reasons why staff left the Department.

Table 4.3 – Reasons why staff are leaving the Department

Termination type	Number	% of total terminations	% of total employment as on 1 April 2005
Death	37	5.5	0.6
Resignation	201	29.7	3.2
Expiry of contract	234	34.6	3.8
Dismissal – operational changes	-	-	-
Dismissal – misconduct	41	6.1	0.7
Dismissal – inefficiency	-	-	-
Discharged due to ill-health	12	1.8	0.2
Retirement	46	6.8	0.7
Transfers to other Public Service departments	43	6.3	0.7
Other	62	9.2	1.0
Total	676	100	

Table 4.4 – Promotions by critical occupation

Occupation	Employees as at 1 April 2005	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
Administrative related	1 903	206*	10.8	393	20.7
Artisans	36	0	0	30	83.3
Cleaners	149	0	0	113	75.8
Client service officers	1 034	66*	6.4	327	31.6
Communication related	23	3	13.0	6	26.1
Employment Service Practitioners	166	30*	18.1	128	77.1
Financial related	272	22	8.1	141	51.8
Food services aid	12	0	0	10	83.3
Head of Department	1	0	0	1	100
Housekeepers, laundry and related	10	0	0	5	50
Human resources related	414	36*	8.7	104	25.1
Information technology	2	0	0	0	0
Inspectors	1 058	58*	5.5	363	34.3
Legal related	9	3	33.3	2	22.2
Librarian and related	1	0	0	0	0
Drivers	4	0	0	2	50
Logistical support and related	580	42*	7.2	296	51.0
Medical Practitioners	6	0	0	4	66.7
Messengers	91	1	1.1	52	57.1
Minister	1	0	0	0	0
National technical examiners	37	2	5.4	24	64.9
Production advisors	1	0	0	0	0
Security related	124	6*	4.8	16	13
Secretarial related	162	4	2.5	60	37.0
Senior management	61	11	18.0	5	8.2
Trade labourers	62	0	0	42	67.7
Total	6 219	490	7.9	2 124	34.2
<i>*This total does not include employees who have been upgraded</i>					

Table 4.5 – Promotions by salary band

Salary band	Employees 1 April 2005	Promotions to another salary level	Salary band 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)	438	0	0	255	58.2
Skilled (Levels 3-5)	2 668	81	3.0	49	1.8
Highly skilled production (Levels 6-8)	2 451	305	12.4	1 523	62.1
Highly skilled supervision (Levels 9-12)	595	93	15.6	292	49.1
Senior management (Levels 13-16)	67	11	16.4	5	7.5
Total	6 219	490	7.9	2 124	34.2

5. Employment equity

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

Table 5.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2006

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	30	4	2	7	12	0	0	4	59
Professionals	165	10	4	27	226	20	8	56	516
Technicians and associate professionals	562	84	43	117	416	65	12	227	1 526
Clerks	1 351	187	38	82	1 873	320	79	497	4 427
Service and sales workers	77	18	0	13	32	3	0	2	145
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	12	0	0	18	1	0	0	1	32
Plant and machine operators and assemblers	5	0	0	0	0	0	0	0	5
Elementary occupations	191	10	1	6	129	16	0	9	362
Total	2 393	313	88	270	2 689	424	99	796	7 072
Employees with disabilities	82	8	7	22	61	5	4	26	215

Table 5.2 - Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2006

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	8	2	0	2	1	0	0	2	15
Senior management	26	3	2	7	16	0	0	3	57
Professionally qualified and experienced specialists and mid-management	251	32	22	74	197	20	5	74	675
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	739	113	44	139	728	143	49	595	2 550
Semi-skilled and discretionary decision making	1 186	154	19	42	1 612	244	45	118	3 420
Unskilled and defined decision making	183	9	1	6	135	17	0	4	355
Total permanent	2 393	313	88	270	2 689	424	99	796	7 072

Table 5.3 - Recruitment for the period 1 April 2005 to 31 March 2006

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	4	0	0	1	3				8
Professionally qualified and experienced specialists and mid-management	25	1	1	1	31	2	0	0	61
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	53	2	1	3	54	4	1	2	120
Semi-skilled and discretionary decision making	599	49	9	13	689	68	5	3	1 435
Unskilled and defined decision making	26	3	0	0	26	5	1	3	64
Total	707	55	11	18	803	79	7	8	1 688
Employees with disabilities	10	0	2	0	18	0	0	0	30

Table 5.4 - Promotions for the period 1 April 2005 to 31 March 2006

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	4	0	0	0	2	0	0	0	6
Professionally qualified and experienced specialists and mid-management	24	4	1	2	41	3	0	4	79
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	116	8	2	1	106	11	3	13	260
Semi-skilled and discretionary decision making	58	3	2	1	72	6	2	1	145
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	202	15	5	4	221	20	5	18	490
Employees with disabilities	16	0	2	12	8	3	0	10	51

Table 5.5 - Terminations for the period 1 April 2005 to 31 March 2006

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	4	0	0	1	2	0	0	0	7
Professionally qualified and experienced specialists and mid-management	26	0	0	4	15	1	0	2	48
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	43	4	3	10	37	10	4	51	162
Semi-skilled and discretionary decision making	169	8	1	6	208	21	1	12	426
Unskilled and defined decision making	21	0	1	2	6	2	0	1	33
Total	263	12	5	23	268	34	5	66	676
Employees with disabilities	8	1	0	0	1	1	0	0	11

Table 5.6 - Disciplinary action for the period 1 April 2005 to 31 March 2006

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	57	10	1	6	29	5	0	6	114

6. 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 6.1**), salary bands (**Table 6.2**) and critical occupations (**Table 6.3**).

Table 6.1 - Performance rewards by race, gender, and disability paid during the financial year 1 April 2005 to 31 March 2006 for performance delivered during 2004/05 financial year

	Beneficiary profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
African					
Male	936	2 320	40.3	3 088	3 299
Female	1 136	2 637	43.1	3 472	3 057
Asian					
Male	60	83	72.3	269	4 483
Female	76	95	80.0	302	3 974
Coloured					
Male	128	306	41.8	420	3 281
Female	242	419	57.8	685	2 831
White					
Male	160	249	64.3	822	5 138
Female	665	769	86.5	2 716	4 084
Employees with a disability	93	194	47.9	286	3 075
Total	3 496	7 072	49.4	12 060	3 450

Table 6.2 – Performance rewards by salary bands paid during the financial year 1 April 2005 to 31 March 2006 for performance delivered during 2004/05 financial year by personnel below Senior Management Service

Salary bands	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost	Average cost per employee
Lower skilled (Levels 1-2)	184	357	51.5	265 896	1 445
Skilled (Levels 3-5)	1 209	3 442	35.1	2 533 302	2 095
Highly skilled production (Levels 6-8)	1 738	2 574	67.5	6 706 942	3 859
Highly skilled supervision (Levels 9-12)	360	627	57.4	2 547 360	7 076
Total	3 491	7 000	49.9	12 053 500	3 453

Table 6.3 – Performance rewards by critical occupations, 1 April 2005 to 31 March 2006

Critical Occupations	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total cost (R)	Average cost per employee
Administrative related	974	2 506	38.9	2 908 364	2 986
Artisans	1	35	2.9	5 069	5 069
Cleaners	78	149	52.3	125 034	1 603
Client Service Officers	550	1 258	43.7	1 642 300	2 986
Communication related	9	27	33.3	106 200	11 800
Employment Service Practitioners	96	193	49.7	494 976	5 156
Financial related	271	446	60.8	1 550 120	5 720
Food Services Aid	7	13	53.8	10 997	1 571
Head of Department	-	1	0	0	0
Housekeepers, laundry and related	3	9	33.3	3 000	1 000
Human Resources related	568	3 420	16.6	2 273 704	4 003
Information Technology	0	2	0	0	0
Inspectors	553	1 012	54.6	1 651 258	2 986
Legal related	2	10	20	21 600	10 800
Librarian and related	1	1	100	5 870	5 870
Drivers	1	3	33.3	3 000	3 000
Logistic Support and related	131	526	24.9	597 229	4 559
Medical Practitioners	3	19	15.8	24 000	8 000
Messengers	47	92	51.1	80 699	1 717
Minister	0	1	0	0	0
National Technical Examiners	23	29	79.3	96 163	4 181
Production Advisors	0	1	0	0	0
Security related	42	135	31.1	81 774	1 947
Secretarial related	91	138	65.3	325 143	3 573
Senior Management	5	72	6.9	6 500	1 300
Trade Labourers	40	59	67.8	47 000	1 175
Total	3 496	7 072	49.4	12 060 000	3 451

Table 6.4 – Performance related rewards (cash bonus), by salary band, for Senior Management Service paid during 1 April 2005 to 31 March 2006 for performance delivered during 2004/05

Salary band	Beneficiary profile			Cost		
	Number of beneficiaries	Number of employees	% of total within band	Total cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Band A	5	51	31.3	6 500	1 300	0.03
Band B	0	16	0	0	0	0
Band C	0	4	0	0	0	0
Band D	0	1	0	0	0	0
Total	5	72	6.9	6 500	1 300	0.03

7. Foreign Workers

The tables below summarise the employment of foreign nationals in the Department in terms of salary bands. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

Table 7.1 – Foreign workers, 1 April 2005 to 31 March 2006, by salary band

Salary band	1 April 2005		31 March 2006		Change in employment	
	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	1	14.3	1	100
Highly skilled production (Levels 6-8)	2	33.3	2	28.6	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16) (Contract)	1	16.7	1	14.3	0	0
Periodical remuneration	2	33.3	3	42.9	1	100
Abnormal appointment	1	16.7	0	0	-1	-100
Total	6	100	*7	100	1	100

* 4 are in the permanent establishment and 3 are members of advisory committees of the Department of Labour.

Table 7.2 – Foreign workers, 1 April 2005 to 31 March 2006, by major occupation

Major occupation	1 April 2005		31 March 2006		Change in employment	
	Number	% of total	Number	% of total	Number	% change
Administrative office workers	2	33.3	2	28.6	0	0
Elementary occupations	1	16.7	1	14.3	0	0
Professionals and managers	1	16.7	1	14.3	0	0
Rank: committee member	2	33.3	3	42.8	1	100
Total	6	100	7	100	1	100

8. Leave utilisation for the period 1 January 2005 to 31 December 2005

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 8.1**) and disability leave (**Table 8.2**). In both cases, the estimated cost of the leave is also provided.

Table 8.1 – Sick leave, 1 January 2005 to 31 December 2005

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)	2 035	80.2	257	4.9	8	293
Skilled (Levels 3-5)	16 960	73.8	2 325	44.3	7	3 331
Highly skilled production (Levels 6-8)	17 580	77.5	2 166	41.3	8	6 189
Highly skilled supervision (Levels 9-12)	3 064	77.4	465	8.9	7	1 933
Senior management (Levels 13-16)	140	76.14	34	0.6	4	241
Total	39 779	76.1	5 247	100	8	11 987

Table 8.2 – Incapacity leave (temporary and permanent), 1 January 2005 to 31 December 2005

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)	700	100	15	6.3	47	103
Skilled (Levels 3-5)	1 402	99.6	83	34.6	17	284
Highly skilled production (Levels 6-8)	3 659	99.8	134	55.8	27	1 323
Highly skilled supervision (Levels 9-12)	289	100	8	3.3	36	168
Senior management (Levels 13-16)	0	0	0	0	0	0
Total	6 050	99.8	240	100	25	1 878

Table 8.3 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 8.3 – Annual leave, 1 January 2005 to 31 December 2005

Salary band	Total days taken	Average per employee	Number of employees who took leave
Lower skilled (Levels 1-2)	7 597.56	22	342
Skilled (Levels 3-5)	48 479.48	17	2 914
Highly skilled production (Levels 6-8)	59 525.20	22	2 667
Highly skilled supervision (Levels 9-12)	13 760.92	21	671
Senior management (Levels 13-16)	1 172.00	18	68
Total	130 535.20	20	6 662

Table 8.4 – Capped leave, 1 January 2005 to 31 December 2005

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2005	Number of employees who took capped leave
Lower skilled (Levels 1-2)	148	4	37	33
Skilled (Levels 3-5)	575	4	19	130
Highly skilled production (Levels 6-8)	1 656	5	45	317
Highly skilled supervision (Levels 9-12)	352	6	57	63
Senior management (Levels 13-16)	18	5	56	4
Total	2 749	5	39	547

Table 8.5 – Leave payouts for the period 1 April 2005 to 31 March 2006

Reason	Total amount (R'000)	Number of employees	Average payment per employee
Capped leave payouts on termination of service for 2005/06	630	156	4 038
Current leave payout on termination of service for 2005/06	127	218	583
Total	757	374	2 024

9. HIV and AIDS and health promotion programmes

Table 9.1 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
None	Not applicable

Table 9.2 –Details of health promotion and HIV and AIDS programmes

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 A Z Ndlala, Acting Senior Executive Manager of 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.	√		The EAP Unit is serviced by 2 Senior Practitioners plus 92 HIV and AIDS Wellness Champions and 78 service providers. R1.7 million - EAP and HIV and AIDS
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"> ● Counselling services ● Living positively with HIV ● Stress management ● Financial fitness and debt rehabilitation
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.	√		14 Provincial HIV and AIDS committees that are monitored by the National Employment Equity Consultative Forum who drives the implementation of the HIV and AIDS programmes
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.	√		All relevant policies have already been reviewed, namely: <ul style="list-style-type: none"> ● Revised Sexual Harassment Policy ● Revised Resettlement Policy ● Revised Recruitment and Selection Policy
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.	√		Clause 4.1 of the HIV and AIDS Policy: <ul style="list-style-type: none"> ● Clause 4.3 articulates on the employment contract and nondiscrimination
7. Does the Department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have achieved.	√		The voluntary counselling and testing is managed off-site through public health facilities. Employees can access support and after-care through the in-house programme.
8. Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.	√		<ul style="list-style-type: none"> ● The post counselling client satisfaction questionnaire ● Post health promotion referral statistics.

10. Labour Relations

The following collective agreements were entered into with trade unions within the Department.

Table 10.1 – Collective agreements, 1 April 2005 to 31 March 2006

Subject matter	Date
Revised Sexual Harassment Policy	28 September 2005
Revised Resettlement Policy	28 September 2005
Revised Recruitment and Selection Policy	28 September 2005
Total collective agreements	3

The following table summarises the outcomes of disciplinary hearings conducted within the

Department for the year under review.

Table 10.2 - Misconduct and disciplinary hearings finalised, 1 April 2005 to 31 March 2006

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	6	5.2
Final written warning	22	19.3
Suspended without pay	3	2.6
Fine	0	0
Demotion	0	0
Dismissal	41	35.9
Not guilty	2	1.8
Case withdrawn	2	1.8
Other (i.e. referring back, progressive discipline)	36	31.6
False S + T claim	2	1.8
Total	114	100

Table 10.3 – Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Misrepresentation	4	3.5
Insubordination	3	2.6
IFS misuse	15	13.2
Absenteeism	24	21.3
E-mail abuse	6	5.3
Negligence	10	8.8
Misappropriation of funds	4	3.5
Putting the Department into disrepute	2	1.8
Unauthorised expenditure	8	7.1
False mileage	3	2.7
Corruption	5	4.4
Theft/Unauthorised possession	4	3.5
Failure to declare	1	0.9
Alcohol abuse	8	7.1
Fraud	2	1.8
Irregularities	2	1.8
Improper conduct	8	7.1
Violence	3	2.7
False S&T claim		
Total	114	100

Table 10.4 – Grievances lodged for the period 1 April 2005 to 31 March 2006

	Number	% of total
Number of grievances resolved	48	88.9
Number of grievances not resolved	6	11.1
Total number of grievances lodged	54	100

Table 10.5 – Disputes lodged with councils for the period 1 April 2005 to 31 March 2006

	Number	% of total
Number of disputes upheld	3	5.4
Number of disputes dismissed	31	55.3
Number of cases still pending	22	39.3
Total number of disputes lodged	56	100

Table 10.6 – Strike actions for the period 1 April 2005 to 31 March 2006

Total number of person working days lost	126
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Table 10.7 – Precautionary suspensions for the period 1 April 2005 to 31 March 2006

Number of people suspended	12
Number of people whose suspension exceeded 30 days	12
Average number of days suspended	60

11. Skills development

This section highlights the efforts of the Department with regard to skills development.

Table 11.1 – Training needs identified 1 April 2005 to 31 March 2006

Occupational categories	Gender	Number of employees as at 1 April 2005	Training needs identified at start of reporting period				Total
			Learnerships 18.1	Learnerships 18.2	Skills programmes and other short courses	Other forms of training	
Legislators, senior officials and managers	Female	19	0	0	68	40	108
	Male	48	0	0	62	60	122
Professionals	Female	264	0	0	90	20	110
	Male	344	0	0	113	2	115
Technicians and associate professionals	Female	1 319	0	0	251	232	483
	Male	844	0	0	141	159	300
Clerks	Female	1 744	105	106	458	453	1 122
	Male	1 199	101	83	475	337	996
Service and sales workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Elementary occupations	Female	184	0	0	25	15	40
	Male	254	0	0	30	20	50
Subtotal	Female	3 530	105	106	892	760	1 863
	Male	2 689	101	83	821	578	1 583
Total		6 219	206	189	1 713	1 338	3 446

Table 11.2 - Training provided 1 April 2005 to 31 March 2006

Occupational categories	Gender	Number of employees as at 1 April 2005	Training needs identified at start of reporting period				
			Learnerships 18.1	Learnerships 18.2	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	19	0	0	9	0	9
	Male	48	0	0	8	0	8
Professionals	Female	264	0	0	268	0	268
	Male	344	0	0	355	0	355
Technicians and associate professionals	Female	1 319	0	0	853	0	853
	Male	844	0	0	759	0	759
Clerks	Female	1 744	105	91	1 219	0	1 415
	Male	1 199	101	69	912	0	1 082
Service and sales workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Elementary occupations	Female	184	0	0	21	0	21
	Male	254	0	0	37	0	37
Subtotal	Female	3 530	105	91	2 370	0	2 566
	Male	2 689	101	69	2 071	0	2 241
Total		6 219	206	160	4 441	0	4 807

12. Injury on duty

The following tables provide basic information on injury on duty.

Table 12.1 – Injury on duty, 1 April 2005 to 31 March 2006

Nature of injury on duty	Number	% of total
Required basic medical attention only	45	78.9
Temporary total disablement	12	21.1
Permanent disablement	0	0
Fatal	0	0
Total	57	100

13. Utilisation of consultants

Table 13. 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
Synthesis paper on firms' performance, training and Skills Development - resulting from Erkurhuleni Survey	2	1 month	R 60 000.00
Evaluation of Sector Skills Plans 2005	5	20 days	R 367 500.00
DG review system	12	7 September 2004 - 9 March 2006	R 2 408 250.00
Capturing Employment Equity Reports	5	24 months	R 535 828.00
Investigation into minimum wages and conditions of employment in the hospitality sector	7	9 months	R 1 062 685.00

Table 13.2 - 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 worked on the project
Synthesis paper on firms' performance, training and Skills Development - resulting from Erkurhuleni Survey	100%	100%	2
Evaluation of Sector Skills Plans 2005	60%	60%	3
DG review system	43.67%	86% women and 43% HDIs	7
Capturing Employment Equity Reports	0%	0%	3

Table 13.3 - 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
Department of Labour Provincial Offices Active Labour Market Project	6	1 452	Technical expertise seconded under German/SA Technical Cooperation Agreement
National Skills Development Strategy Initiative	5	1 210	Technical expertise seconded under German/SA Technical Cooperation Agreement
Total number of projects	Total individual consultants	Total duration: work days	Total contract value in Rand
2	11	2 662	Not applicable

Table 13.4 - 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 worked on the project
Department of Labour Provincial Offices Active Labour Market Project	Not applicable (seconded experts under technical cooperation agreement)	Not applicable	Not applicable
National Skills Development Strategy implementation support	Not applicable (seconded experts under technical cooperation agreement)	Not applicable	Not applicable