

*Annual Report of the*  
**Department of Labour**  
*1 April 2009 to 31 March 2010*



labour

Department:  
Labour  
REPUBLIC OF SOUTH AFRICA

*Annual Report of the*  
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*1 April 2009 to 31 March 2010*

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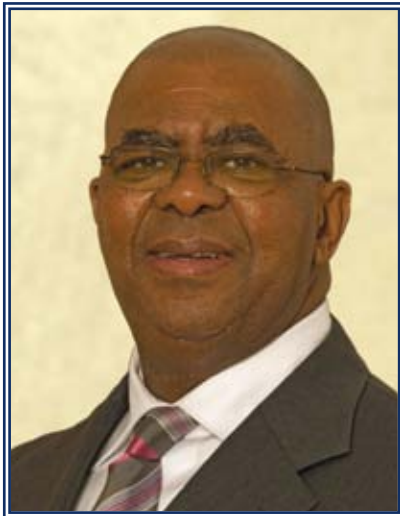
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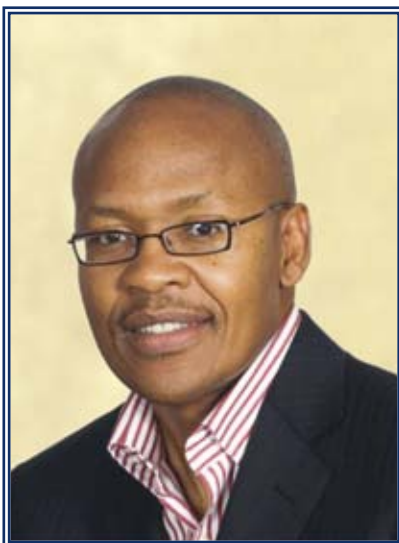


**Minister MMS Mdladlana, MP**  
*Minister of Labour*

Department of Labour  
Laboria House  
Pretoria

20 August 2010

It is my privilege and honour to submit to you the  
Annual Report of the Department of Labour  
for the period 1 April 2009 to 31 March 2010,  
in terms of the Public Finance Management Act, 1999.



**J Manyi**  
*Director-General of Labour*

## Organisational Structure Top Leadership



Minister of Labour  
M M S Mdladlana, MP

### Institutions reporting to the Executive Authority

Advisory Council for Occupational Health and Safety  
Commission for Conciliation Mediation and Arbitration (CCMA)  
Commission for Employment Equity (CEE)  
Compensation Board  
Employment Conditions Commission (ECC)  
National Economic Development and Labour Council (NEDLAC)  
Productivity SA  
National Skills Authority (NSA)  
Sector Education and Training Authorities (SETAs)  
Umsobomvu Youth Fund (UYF)  
Unemployment Insurance Board



Director-General  
J Manyi



Labour Policy and Labour Market  
Programmes  
Deputy Director-General  
L Kettleidas



Employment and Skills  
Development Services  
Deputy Director-General  
S Morotoba



Unemployment Insurance Fund  
(Commissioner)  
Deputy Director-General  
B Seruwe



Service Delivery  
Deputy Director-General  
S Zondeki



Compensation Fund (Commissioner)  
Deputy Director-General  
S Mkhonto



Corporate Services  
Acting Deputy Director-General  
N Phasha



Chief Financial Officer  
B Maduna

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**ERATUM**

*Annual Report of the Department of Labour*  
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**1. Page 3****2 Ministry of Labour****2.1 Institutions reporting to the Executive Authority**

*point 7 and 9*

- National Skills Authority (NSA) (transferred to Department of Higher Education and Training (DHET) as from 1 November 2009)
- Sector Education and Training Authorities (SETAs) (transferred to DHET as from 1 November 2009)

The National Skills Authority, 23 Sector Education and Training Authorities and the National Skills Fund were transferred to the Department of Higher Education and Training as from 1 November 2009, through a Presidential Proclamation. An agreement was subsequently signed by both the Department of Labour and the Department of Higher Education and Training Directors-General during February 2010 for the Department of Labour to maintain financial and performance management responsibilities until 31 March 2010 as Treasury could not transfer the budget after the Medium Term Budget Adjustment process.

*point 10*

- Umsobomvu Youth Fund (UYF) (transferred to the Presidency as from 1 July 2009)

The Umsobomvu Youth Fund was transferred to the Presidency under the National Youth Development Agency Act, 2008 as from 1 July 2009 and continued to report on its finances and performance information to the Department of Labour until 30 September 2009. The remaining budget of the UYF was transferred to the Presidency during the October 2009 Medium Term Budget Adjustment process to the National Youth Development Agency.

**2. Page 21****4. Strengthen the institutional capacity of the Department**

*point 2*

- Relocate the Inspection and Enforcement Services Directorate to the Occupational Health and Safety Programme under the Chief Inspector.

**3. Page 38**

The Inspection and Enforcement Services (IES) Strategy was reviewed in 2007 and is currently implemented with the main focus on its three pillars, namely:

- **Pillar 1: Professionalisation of the Inspectorate**  
A new job profile was developed and a job evaluation conducted for a specific cadre of Inspectors to address competence and capacity of the Inspectorate in the Department
- **Pillar 2: Customer Centric Services**  
An information technology case management is developed for the Inspection and Enforcement Services
- **Pillar 3: Improved compliance**  
The enforcement manuals for the Compensation for Occupational Injuries and Diseases Act (COIDA) have been developed and finalised. The implementation of the IES strategy and the awareness campaigns embarked upon resulted in more workplaces inspected with an average of 70% compliance level achieved.

## ERATUM

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### **4. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SHELTERED EMPLOYMENT FACTORIES FOR THE YEAR ENDED 31 MARCH 2010**

#### **Page 170**

11. The current year depreciation of R1.669 million and reversal of depreciation due to reassessment of R0.954 million disclosed in note 4 to the financial statements, does not agree to the depreciation expense of R1.672 million per the underlying accounting records. Resulting in a misstatement of R0.957 million. This error was limited to the disclosure of note 4 and did not affect the statement of comprehensive income.

#### **Page 172**

19. According to IAS 7, an entity shall disclose the major classes of gross cash receipts and gross cash payments separately under the direct method. In determining the gross cash receipts and gross cash payments an entity shall exclude transactions of a non-cash nature. Misstatements occurred with regards to the classification of cash transactions and exclusion of non-cash transactions for the following items as disclosed in the statement of cash flows:

- Overstatement of the cash receipts from customers amounting to R5.152 million (understatement amounting to R8.416 million for 2009).
- Overstatement of cash paid to suppliers and employees amounting to R6.119\* million (understatement amounting to R8.416 million for 2009).
- Understatement in proceeds from sale of property, plant and equipment amounting to R0.954 million.



# **Section 1**

## **General Information**



## General Information

### 1. Introduction

The Department of Labour herewith present its Annual Report in terms of the Public Finance Management Act for the 2009/10 financial year.

In response to the strategic priorities of government over the next five years, the Department of Labour will focus on the following strategic programmes:

- Decent work
- Public Employment Services
- Enhancing Inspection and Enforcement Services
- Strengthening social security
- Strengthening the institutional capacity of the Department.



*J Manyi  
Director-General of Labour*

#### ***Our Vision***

The Department of Labour will strive for a labour market which is conducive to Investment, Economic Growth, Employment Creation and Decent Work.

#### ***Our Mission***

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

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

Over the next five years we will put all mechanisms in place to ensure that the allocated funds are spent as planned and in the best interest of our targeted beneficiaries.

## 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 Skills Authority (NSA) (transferred to Department of Higher Education and Training (DHET) as from 1 November 2009)
- Productivity South Africa
- Sector Education and Training Authorities (SETAs) (transferred to DHET as from 1 November 2009)
- Umsobomvu Youth Fund (UYF) (transferred to DHET as from 1 July 2009)
- Unemployment Insurance Board.

#### 2.2 Bills submitted to the legislature during the financial year

No Bills were submitted to the legislature during the financial year.

#### 2.3 Ministerial visits abroad

International travel - 1 April 2009 to 31 March 2010		
Description	Date	Purpose of business
SADC Employment and Labour Sector (ELS) meeting of Ministers responsible for Employment and Labour and Social Partners	30 March to 3 April 2009	The South African Department of Labour became the Chair of the Employment and Labour Sector (ELS) during this meeting. The ELS serves as a structure where Ministers of Labour, within the region, can discuss the harmonisation of labour standards and strategies for participation in international forums.
98 <sup>th</sup> Session of the International Labour Conference (ILC)	3 to 19 June 2009	The Conference, which is often called an international parliament of labour, has several main tasks. 1. Crafting the adoption of international labour standards in the form of Conventions and Recommendations. 2. The Conference also supervises the application of Conventions and Recommendations - it examines the reports which governments of all Member States are required to submit. 3. Since the adoption of the Declaration on Fundamental Principles and Rights at Work (1998), another important function of the Conference is to examine the Global Report prepared by the Office under the follow-up procedure required by the Declaration. 4. The Conference is also a forum where social and labour questions of importance to the entire world are discussed freely - sometimes passionately. 5. The Conference also passes resolutions that provide guidelines for the ILO's general policy and future activities. 6. Every two years the Conference adopts the ILO's biennial work programme and budget, which is financed by Member States.
Federal Republic of Germany	6 to 8 September 2009	The main objective being the signing of the Joint Declaration of Intent that will formalise cooperation between the two Departments.
World Economic Forum Dalian, China	9 to 11 September 2009	The meeting objective – to build the global public-private partnerships necessary to transform and revitalise the global economy in a way that is sustainable over the long-term.

## General Information

7th Ordinary Session of the African Union Labour and Social Affairs Commission	28 September to 2 October 2009	The Labour and Social Affairs Commission is a forum of African Labour and Social Affairs Ministers wherein important matters concerning the continent are discussed. This meeting also serves as a platform where Member States are able to discuss their participation in upcoming meetings of the International Labour Conference which is convened annually during June in Geneva, Switzerland.
306 <sup>th</sup> Session of the ILO Governing Body Meeting	5 to 20 November 2009	South Africa through the Department of Labour serves in the Governing Body which is the Board of the ILO. Representing the Southern African Region, South Africa will serve on the Governing Body until 2011.
307 <sup>th</sup> Session of the ILO Governing Body Meeting	11 to 26 March 2010	South Africa through the Department of Labour serves in the Governing Body which is the Board of the ILO. Representing the Southern African Region, South Africa will serve on the Governing Body until 2011.

### 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 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
- 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

## General Information

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
- Regulations made by the Minister in terms of section 55
- Policy and any other matter regarding this Act
- Issuing awards of achievement by 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 and 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:

## General Information

- 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
- Any matter concerning the employment of children, including the review of section 43 (in consultation with 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 (in consultation with 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 Skills Authority**

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

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.

### **4.8 Productivity South Africa**

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

The functions of the PSA 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.

## General Information

### 4.9 Sector Education and Training Authorities

Sector Education and Training Authorities (SETAs) were established in the terms of the Skills Development Act 1998. We have 23 SETAs as listed below:

Financial and Accounting Services Education and Training Authority	FASSET
Banking Sector Education and Training Authority	BANKSETA
Chemical Industries Education and Training Authority	CHIETA
Clothing, Textile, Footwear and Leather Education and Training Authority	CTFL SETA
Construction Education and Training Authority	CETA
Education, Training and Development Practices Education and Training Authority	ETDP SETA
Energy Sector Education Training Authority	ESETA
Food and Beverages Manufacturing Education and Training Authority	FoodBev SETA
Forestry Industries Education and Training Authority	FIETA
Health and Welfare Sector Education and Training Authority	HWSETA
Information Systems, Electronics and Telecommunication Technologies Education and Training Authority	ISETT
Insurance Sector Education and Training Authority	INSETA
Local Government Education and Training Authority	LGSETA
Media, Advertising, Publishing, Printing and Packaging Education and Training Authority	MAPPP-SETA
Mining Qualifications Authority	MQA
Manufacturing, Engineering and Related Services Education and Training Authority	MERSETA
Security and Safety Sector Education Training Authority	SASSETA
Agricultural Sector Education and Training Authority	AgriSETA
Public Services Sector Education and Training Authority	PSETA
Services Sector Education and Training Authority	SERVICES
Tourism and Hospitality Education and Training Authority	THETA
Transport Education and Training Authority	TETA
Wholesale and Retail Sector Education and Training Authority	W&RSETA

### 4.10 Umsobomvu Youth Fund

The UYF is a Section 21 Company established under the Companies Act, 1973.

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

- StW assists young people to access high-level careers that are scarce
- Umsobomvu has established:
  - 12 youth advisory centres to offer information and counselling support regarding career development, employment and entrepreneurship
  - Two Business Development Support Voucher Programme (BDSVP) fund the Entrepreneurship Finance Programme consisting 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.

### 4.11 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:

## General Information

- unemployment insurance policy
  - policies arising out of the application of this Act
  - 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**

## Programme Performance

### Voted Funds

Appropriation	Main appropriation	Adjusted appropriation	Actual amount spend	Under-expenditure
	R'000	R'000	R'000	R'000
Programme 1	392 500	388 655	419 996	-31 340
Programme 2	777 121	784 723	710 368	74 355
Programme 3	481 227	406 950	390 644	16 306
Programme 4	466 547	500 979	536 437	-35 458
Programme 5	8 977	8 977	6 013	2 964
<b>Total</b>	<b>2 126 372</b>	<b>2 090 284</b>	<b>2 063 458</b>	<b>26 827</b>
Responsible Minister	Minister of Labour: MMS Mdladlana, MP			
Administering Department	Department of Labour			
Accounting Officer	Acting Director-General of Labour: S Morotoba			

### Departmental revenue, expenditure and other specific topics

#### Collection of departmental revenue

Appropriation	2006/07	2007/08	2008/09	2009/10	2009/10	% deviation from target
	Actual	Actual	Actual	Target	Actual	
	R'000	R'000	R'000	R'000	R'000	%
Tax revenue						
(Specify)						
Non tax revenue	4 443	5 733	8 995	9 872	6 648	32.66
Sales of capital assets (Capital revenue)	0	0	0	0	331	0
(Specify)					(Auction of 2 ministerial vehicles)	
Financial transactions (Recovery of loans and advances)	1 640	2 715	19 868	3 054	5 937	94.40
<b>Total</b>	<b>6 083</b>	<b>8 448</b>	<b>28 863</b>	<b>12 926</b>	<b>12 916</b>	<b>0.08</b>

### Departmental expenditure Voted Funds

Programme	Voted for 2009/10	Roll-overs and adjustment	Virement	Total voted	Actual expenditure	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	388 655	(4 646)	35 987	419 996	419 996	0
Programme 2	784 723	(43 615)	(28 520)	712 588	710 368	2 220
Programme 3	406 950	0	0	406 950	390 644	16 306
Programme 4	500 979	48 261	(7 467)	541 773	536 437	5 336
Programme 5	8 977		0	8 977	6 013	2 964
<b>Total</b>	<b>2 090 284</b>	<b>0</b>	<b>0</b>	<b>2 090 284</b>	<b>2 063 458</b>	<b>26 826</b>

## Programme Performance

### Transfer payments

Name of institution	Amount transferred R'000	Estimate expenditure R'000
<b>Departmental Agencies and Accounts</b>		
Compensation Fund	6 013	8 976
Unemployment Insurance Fund	0	1
Commission for Conciliation, Mediation and Arbitration	356 442	356 442
Productivity South Africa	29 476	29 476
National Skills Fund	48 951	48 951
Strength Civil Soc Reb Trans ( Development Institute for Training, Support and Education for Labour (DITSELA))	13 795	13 795
National Economic Development and Labour Council (NEDLAC)	19 554	19 554
<b>Public Corporations</b>		
Umsobumvu Youth Fund	227 250	227 250
Non Life Insurance Prem(TRY12.1.2)	45	45
Exgratia payments	530	530
<b>Statutory</b>		
Sector Education and Training Authorities	6 252 445	6 252 445
National Skills Fund	1 563 111	1 563 111
<b>Foreign Government/International Organisation</b>		
International Labour Organisation (ILO)	8 152	8 718
ARLAC	465	577
<b>Non-Profit Institutions</b>		
SA National Council for the Blind	178	260
Deaf Federation of South Africa (DEAFSA)	110	173
National Council for the Physically Disabled	200	210
Subsidised Workshop for the Blind	7 733	7 733
Subsidised work centres for people with disabilities	70 096	70 096
<b>Households</b>		
Leave gratuity	1 434	1 434
Retirement benefit	67	67
Severance package	1 968	1 968
Exgratia payments	111	111
<b>Total</b>	<b>8 608 126</b>	<b>8 611 923</b>

### 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; as well as to play a significant role in improving employment and protecting and improving workers' rights and benefits.

## Programme Performance

### *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.

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

#### **Programme 3: Employment and Skills Development Services/ Human Resource 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 success indicators of the national skills development strategy targets through managing service level agreements and providing support services to all SETAs and the effective management of the strategy.

#### **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 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 through 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, and manage government's contribution to the activities of these funds.

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

## Programme Performance

### ***Broad policies, priorities and strategic goals***

#### **Government priorities for 2009 to 2014**

The national government's mandate underscores the need to create a democratic, non-racial, non-sexist and prosperous society through the following strategic priorities:

- **Strategic Priority 1:** Speeding up economic growth and transforming the economy to create decent work and sustainable livelihoods
- **Strategic Priority 2:** Strengthen our skills and human resource base
- **Strategic Priority 3:** Improve the health profile of the nation
- **Strategic Priority 4:** Comprehensive rural development strategy linked to land and agrarian reform and food security
- **Strategic Priority 5:** Intensify the fight against crime and corruption
- **Strategic Priority 6:** Massive programme to build economic and social infrastructure
- **Strategic Priority 7:** Build cohesive, caring and sustainable communities
- **Strategic Priority 8:** Sustainable resource management and use
- **Strategic Priority 9:** Pursuing African advancement and enhanced international co-operation
- **Strategic Priority 10:** Building a Developmental State including improvement of public services and strengthening democratic institutions.

The following constitutes interventions that will be undertaken by the Department of Labour in order to address the Government Strategic Priorities as well as numerous, inter-related challenges faced by the labour market and to institutionalise decent work in South Africa.

#### ***Strategic Priority 1: Speeding up economic growth and transforming the economy to create decent work and sustainable livelihoods***

The Department of Labour will contribute towards this government's strategic priority through the following strategic objectives:

##### ***Strategic Objective: Contribution to employment creation***

It is generally understood that while labour market policies do contribute to the promotion of decent work, they cannot by themselves create jobs. A combination of properly harmonised macro-economic, industrial as well as labour market policies is necessary for ensuring that the economy generates enough employment opportunities in order to reduce the rate of unemployment.

The Department will contribute towards employment creation in the following ways:

- By actively striving to ensure that its labour market policies and strategies complement national growth and development objectives
- New labour market policies in relation to new job creation strategies, such as worker cooperatives, will be developed, implemented, monitored and evaluated
- Social dialogue will be strengthened to support growth and development
- There will be ongoing monitoring of the achievements and targets of government departments' Growth and Development Summit (GDS) agreement commitments
- Sector skills plans will be aligned to sectoral growth plans
- Provincial skills plans will be aligned to provincial economic growth and development strategies
- Learnerships, apprenticeships and internships targets as related to critical skills required by the economy, will be achieved as per the National Skills Development Strategy, (NSDS) 2005-2010
- Exit strategies for unemployed people in skills programmes, learnerships, apprenticeships and other scarce skills interventions will be developed and implemented
- Enhance the efficacy and responsiveness of the Employment Services System to improve its performance and create value for the citizens
- Rehabilitation and re-integration of workers who sustained injuries.

## Programme Performance

### **Strategic Objective: Protecting vulnerable workers**

Since discrimination based on gender, race, disabilities, HIV status and other prohibited grounds continue to pervade the labour market in the fourth cycle of democracy, the Department will seek to eradicate such discrimination by vigorously implementing the Employment Equity Act, 1998.

In order to eliminate unfair discrimination and promote equity in the labour market, the following interventions will be undertaken:

- The Department will amend the Employment Equity Act (Act) to strengthen enforcement mechanisms whilst promoting the culture of self-regulation. Areas of concern include amongst others, powers of inspectors, assessment of compliance, fines to be imposed for contravention with the requirements of the Act, etc.
- Review the Code of Good Practice and Technical Assistance Guidelines (TAGs) on Key Aspects of HIV and AIDS and Employment in order to align it to the newly introduced International Labour Organisation (ILO)'s Standard
- Amendment of all applicable legislation and associated regulations; to enhance the capacity of inspectors to enforce compliance
- Restructuring of the Inspectorate to enforce and improve compliance.

### **Strategic Objective: Protecting vulnerable workers**

Several sectoral determinations were promulgated during the second cycle of our democratic rule. These sectoral determinations were necessary in order to protect workers whose unique work circumstances render them susceptible to the worst forms of abuse. The main challenge in the third cycle of the democratic government is to ensure that workers in the sectors governed by sectoral determinations benefit from these interventions. The approach will include ensuring that in the first place, employers and workers understand their reciprocal rights and obligations. To this end, the Department will continue to embark on advocacy campaigns aimed at engendering the culture of voluntary compliance. Compliance with legislation will be increased further through targeted advocacy and inspection programmes.

During the period 2009–2012 the Department will increase its capacity to enforce sectoral determinations, especially in the domestic and agricultural sectors.

Pursuant to these objectives, the Department will protect vulnerable workers by undertaking the following interventions:

- Restructuring of the Sheltered Employment Factories (SEF) will be completed. This entails finalising a Business Case to define the legal personality of the SEF
- Sectoral determinations will be published in the following sectors :
  - Unskilled workers
  - Building and construction workers where councils have collapsed
- Existing sectoral determinations will be reviewed:
  - Farm workers
  - Domestic workers
  - Wholesale and Retail Sector
  - Hospitality
  - Civil Engineering
  - Learnerships
  - Private Security Sector
  - Forestry Sector
- The ministerial determination for the Expanded Public Works Programme will be amended.

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The following occupational health and safety regulations will be amended and published:

- Hazardous work for children
- Construction
- Hazardous chemical substances
- Globally harmonised system for labeling and packaging of chemical substances
- Diving
- Noise induced hearing loss
- General health and safety
- Asbestos.

### **Strategic Objective: Promoting sound labour relations**

It is generally agreed that the degree of adversarialism, that characterised the pre-1994 period, drastically declined during the first 10 years of democracy, manifest in part by the decline in the number of workdays lost due to strike action. This was largely attributable to the efficacy of our labour market policies as well as the maturation of social dialogue – which is also regulated by labour legislation.

At the dawn of the third cycle of democratic rule, new labour relations challenges are beginning to emerge. The labour relations environment is entering hitherto uncharted territory, whereby workers and management need to negotiate complicated issues such as methods of production. Global competition calls for a more enhanced degree of cooperation between labour and management. In other words, in respect of industries that faces fierce international competition, management and labour need to redefine their relationships to enable them to jointly produce goods and services at globally competitive prices. The challenge for the Department of Labour is that of facilitating the deepening of these relationships - in the first instance through NEDLAC.

Bargaining councils, as centres of social dialogue, have been functioning effectively in the first two cycles of democracy. However, the impact of bargaining councils on small businesses continues to be raised as one of the constraints on the growth of SMMEs. At the same time, the tendency to casualise workers and create triangular labour relations undermines both the letter and the spirit of labour legislation - thus rendering workers vulnerable. South Africa has seen a considerable growth of temporary employment services or labour brokers as they are known. The wages of workers of temporary employment services, or labour brokers are very low. This is motivated by employers' attitudes of seeking to lower labour cost. Further to these objectives, the Department will continue to promote sound labour relations through:

- Ensuring legislative amendments to protect the employment relationship, address labour broking and improve the functioning of the labour market
- Ensuring an effective and efficient dispute resolution system through participation in CCMA governance, support for its operations and legislative amendments to ensure the smooth functioning of dispute resolution
- Ensuring the publication of collective agreements to cover vulnerable workers in the manufacturing, construction, trade, transport and services sectors
- Ensuring that collective agreements embody the pillars of decent work
- Enter into partnership with organised labour and the National Labour and Economic Development Institute (NALEDI) to identify obstacles to union organisation in farm and other vulnerable sectors
- Enhance the capacity of the CCMA and Bargaining Councils to enforce compliance with arbitration awards by parties
- Integration of case management systems of the CCMA, Bargaining Councils and the Department
- Enhance accessibility of the CCMA in remote and rural areas
- Address abusive and exploitative practises associated with labour broking, sub-contracting and outsourcing of work.

On conditions of employment, certain provisions are not applicable or are not applied in practice.

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In some instances workers are forced to enter into contracts of employment that erodes their rights in terms of the law. Some of the labour brokers undermine health and safety rules by subjecting employees to working conditions that are hazardous.

### **Strategic Objective: Monitoring the impact of legislation**

During the third cycle of our democracy, government departments were structured into clusters in order to promote collaboration and improve coordination both at a policy as well as implementation level. This intervention has improved the overall performance of government.

The Department of Labour will, during the fourth cycle of democratic governance carry out research, including monitoring and evaluation aimed at determining the extent to which labour market policies are harmonised with other economic policies and contribute to the objective of creating work opportunities.

To this end the Department will:

- Publish labour market reviews and statistics reports
- Research and reports on the impact of aggregate and disaggregate departmental policies and programmes on stated goals and objectives
- Conduct annual client satisfaction surveys on levels of service delivery and make them public
- Establish strategic partnerships and cooperation with established research institutions
- Enhance the research capacity within the Department
- Strengthen the monitoring, evaluation and reporting Unit in the Department.

### **Strategic Priority 2: Strengthen our skills and human resource base**

The Department will contribute towards this government's strategic priority through the following strategic objective:

#### **Strategic Objective: Enhancing skills development \***

During the 2009/10 financial year, the Department will implement the last year of the National Skills Development Strategy (NSDS) 2005-2010 to contribute to government's broader goals to halve unemployment and poverty and reduce inequality by 2014. The strategy also indicates aggregate indicators that Sector Education and Training Authorities (SETAs) and projects funded under the National Skills Fund (NSF) must achieve.

The NSDS will also contribute to the following:

- Skills to assist the country's competitiveness and growth as part of the broader Human Resource Development Strategy
- Scarce skills to support the implementation of the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA)
- Improved participation of Small, Medium and Micro Enterprises (SMMEs) in skills development
- Improved productivity through work-based skills intervention programmes
- Assisting youth to enter the labour market through learnerships, apprenticeships, internships, bursaries and other scarce skills programmes
- Improved literacy levels through ABET interventions and incentives to improve access to programmes and quality of learning
- Assist workers faced with possible retrenchment through re-training-lay-off interventions.

The Skills Development Amendment Act, 2008 will bring about a number of developments, including:

Formally establishing the Quality Council for Trades and Occupations (QCTO); establishing Productivity SA; listing the National Skills Fund as a public entity; introducing additional functions to the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) to moderate artisan assessments; expanding the provision of



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employment services to work-seekers; and introducing a register of artisans. These developments will: improve the quality of training, including more effective workplace learning; improve and sustain productivity in both the private and public sectors, which will save jobs and contribute to economic growth; improve the operational efficiency of the National Skills Fund to train more unemployed people, in line with the National Skills Development Strategy (NSDS) targets; provide increased access to learners for trade assessment; and professionalise and promote the training of artisans in response to labour market demands.

A new National Skills Development Strategy (2010 - 2015) will be developed and launched during the October Skills Conference. This will include a new SETA landscape that will be certified for the period April 2010 to March 2015.

### **Strategic Priority 3: Improve the health profile of the nation**

The Department will contribute towards this government strategic priority by:

- Commissioning research into the prevalence of silicosis and muscular skeletal as occupational diseases in order to design relevant interventions by 2011
- In 2009/10, inspectors will be trained on the enforcement of hazardous biological agent regulations (HBA)
- Participate in the comprehensive national social security reforms driven by the Inter-departmental Task Team at National Treasury.

To ensure conformity with international standards the following will be done:

- Promulgation of the revised occupational exposure limits and biological exposure limits
- Refocusing the Compensation Fund to also include a rehabilitation programme to ensure early return to work of injured workers in collaboration with the SEF
- Promoting HIV and AIDS Code of Good Practice in work places.

### **Strategic Priority 4: Comprehensive rural development strategy linked to land and agrarian reform and food security**

The Department will contribute towards this government's strategic priority through the following strategic objectives:

#### **Strategic Objective: Contribution to employment creation**

- Sector skills plans will be aligned to sectoral growth plans
- Provincial skills plans will be aligned to provincial economic growth and development strategies
- Expanded Public Works Programmes' (EPWP) participants will be trained
- Learnerships, apprenticeships and internships targets as related to critical skills required by the economy, will be achieved as per the National Skills Development Strategy, (NSDS) 2005-2010
- Exit strategies for unemployed people in skills programmes, learnerships, apprenticeships and other scarce skills interventions will be developed and implemented
- The Department will collaborate and work with the Department of Agriculture and Rural Development on skills programmes and provision of employment services to enhance the implementation of the Land and Agrarian Reform Programme.

#### **Strategic Objective: Enhancing skills development**

- Improved participation of Small, Medium and Micro Enterprises (SMMEs) in skills development
- Improved productivity through work-based skills intervention programmes
- Assisting youth to enter the labour market through learnerships, apprenticeships, internships, bursaries and other scarce skills programmes
- Improved literacy levels through ABET interventions and incentives to improve the quality of learning through SAQA accreditation.

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### **Strategic Priority 5: Intensify the fight against crime and corruption**

The Department will contribute towards this government's strategic priority through the following strategic objectives:

The Department will develop a crime prevention and anti-corruption strategy within the Department and for all Public Entities in compliance with the Public Finance Management Act which requires that each government department or body design an anti-corruption strategy.

To bolster its fight against crime, fraud and corruption, the Department, the Unemployment Insurance Fund and the Compensation Fund together with all its Public Entities will increase its capacity to:

- Investigate allegations
- Institute and complete disciplinary action for cases of fraud and corruption
- Detect fraud and corruption
- Refer allegations of fraud and corruption to relevant law enforcement agencies or other appropriate agencies/bodies in terms of a formal arrangement.

Furthermore:

- The Department, the Unemployment Insurance Fund and the Compensation Fund together with all its Public Entities will review the Risk Management Strategy, Fraud Prevention Plan and the whistle-blowing policy to address the current developments and to respond to the latest trends and needs
- Risk awareness will be conducted throughout the year
- As part of the implementation of minimum information security standards the Department has put processes in place to conduct employment pre-screening and all new appointments will be subjected to those processes. Consideration of establishing the internal vetting unit to address security vetting is on the cards
- The Department's Provincial Risk Management committees were established in 2008/09. The focus moving forward will be to provide technical advice and ensure effectiveness. These committees will also play an oversight management role in the provincial offices
- The Unemployment Insurance Fund will also intensify the detection of fraud by implementing electronic systems to analyse data on a monthly basis
- The Unemployment Insurance Fund Hotline will be entrenched to operate 24 hours daily and awareness will be intensified. The Fund will manage the investigation of all cases received and finalise 80% of such cases and ensure successful prosecution of cases
- Conduct risk assessment, especially fraud and corruption risks and management action plans will be put in place to address possible of fraud and corruption.

### **Strategic Priority 6: Massive programme to build economic and social infrastructure**

The Department will contribute towards this government's strategic priority through the following strategic objective:

#### **Strategic Objective: Strengthening social protection**

Parliament has passed a series of legislation aimed at providing a social safety net, including the provision of social support to workers in the event of temporary loss of income due to unemployment or work related injuries. In the next five years, the Department will seek to strengthen these social support systems. The support will include:

- Ensuring an improved client satisfaction of the Unemployment Insurance Fund and Compensation Fund's services
- The restructuring of the Unemployment Insurance Fund and the Compensation Fund for improved service delivery
- Achieving financial viability and sustainability of the Unemployment Insurance Fund and the

## Programme Performance

### Compensation Fund

- Improvement in revenue collection by at least 10 % during the first year
- Legislative amendments to the UI Act to increase coverage to civil servants
- Improve the efficiency of the Unemployment Insurance Fund with regards to revenue management and payment processes
- Improve revenue inflows by at least CPIX
- Improve benefits payable to beneficiaries
- Extend unemployment insurance coverage to workers in the informal sector.

### **Strategic Priority 7: Build cohesive, caring and sustainable communities**

The Department will contribute towards this government's strategic priority through the following strategic objectives:

#### **Strategic Objective: Enhance Skills Development**

- The Department will identify and implement income generating projects under the Social Development Funding window and the NSDS objectives as outlined under Strategic Priority 2.

### **Strategic Priority 8: Sustainable resource management and use**

The Department will contribute by reducing its carbon footprint by implementing the environmental management plan developed in 2007/08. The Environmental Management Plan outlines the priority actions required by the Department of Labour in order to integrate environmental management within its functions.

### **Strategic Priority 9: Pursuing African advancement and enhanced international co-operation**

The Department will contribute towards this government's strategic priority through the following strategic objectives:

#### **Strategic Objective: Strengthening multilateral and bilateral relations**

South Africa occupies a strategic place in the global arena, in both multilateral as well as bilateral fora. Over the next five years the Department will promote a collective multilateral approach to global challenges and work for the democratisation of global institutions that operate within its spheres of influence. To that end, South Africa will continue to participate in the SADC, ARLAC, NEPAD, AU and in the International Labour Organisation (ILO).

We have also signed several bilateral agreements with ministries of labour in countries that South Africa has an interest in. The challenge in the next five years is to ensure that we solidify our relationships with strategically placed countries and also extend our influence in the region so as to promote the "globalisation of labour standards".

The Department will contribute by:

- Participating in the African Union Labour and Social Affairs Commission (AU LSAC) and will implement its resolutions
- Ensuring the implementation of the SADC employment and labour sector (SADC-ELS) resolutions
- Participating in ARLAC activities aimed at building capacity of labour administrations in English speaking African countries
- Effectively discharging South Africa's obligations to the ILO
- Ensuring that the objectives of signed bilateral agreements are implemented, monitored and achieved

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- Mobilising, coordinating and managing technical cooperation
- Completing capacity building for ILO associate experts.

### **Strategic Priority 10: Building a Developmental State including improvement of public services and strengthening democratic institutions**

The Department will contribute towards this government's strategic priority through the following strategic objectives:

#### **Strategic Objective: Strengthening the capacity of labour market institutions**

The Department created appropriate labour market institutions during the first cycle of democratic rule. Most of these institutions have been operational for about 10 years, during which many lessons have been learned. It is now necessary to carry out an evaluation of these institutions, assess their strengths and weaknesses, and effect whatever interventions are required to increase their efficiency and enhance their effectiveness.

In this regard the Department will:

- Improve service delivery provided by statutory bodies and public entities associated with the Department, through clear performance standards for relevant agencies
- The views of the public will be sought to assess the services received from the statutory bodies and public entities
- The capacity of social partners to deliver on GDS commitments and other areas of cooperation will also be enhanced by the Department's support
- The Service Delivery model and the organisational structure to be reviewed and aligned for effective service delivery
- An enhanced ICT infrastructure and Management Information system .

### **Priorities: 2009/10 Financial Year**

#### **1. Contribute to employment creation**

**To contribute to the creation of jobs by the end of March 2010, the Department will:**

- 1.1 Fund the training of 90 000 people of whom 63 000 will be placed in employment opportunities.
- 1.2 Support 400 co-operatives/ NGOs through skills development, to place at least 2 000 people in co-ops.
- 1.3 Support the training of people that face retrenchment to protect at least 16 000 jobs through training-lay-offs interventions.
- 1.4 Support job creation Strategic Projects to train 18 000 people of whom 9 000 complete programmes and are placed in job opportunities.
- 1.5 Train and mentor 4 534 young people to form sustainable new ventures of which, 70% to be sustained beyond 12 months after training.
- 1.6 Implement Social Plan and turnaround strategies for enhanced productivity/ competitiveness of enterprises to save 15 000 jobs.
- 1.7 Develop a draft Employment Services Bill.

#### **2. Inspection and Enforcement Services (IES)**

- 2.1 Ensure IES marketing and information sessions to domestic and farm workers, and wide consultation with labour unions to encourage the creation of structures for the unionisation of these workers, targeting three information sessions per province.
- 2.2 Implementation of the IES Strategy with its three pillars:

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Pillar One: Professionalisation of the Inspectorate

Pillar Two: Customer Centric Services

Pillar Three: Improved Compliance.

### **To contribute to a successful 2010 World Cup event, the Department will:**

2.3 Conduct focused advocacy and inspections and enforcement in the Hospitality, Tourism and Security sectors.

2.4 Each Provincial Office to identify companies and conduct inspections in these sectors for focused inspections as follows:

- Hospitality 30
- Tourism 30
- Security 20

### **3. Decent Work**

#### **This will serve as a contribution towards the Decent Work Agenda:**

3.1 Facilitate Public Hearings within communities on Labour Brokers and atypical forms of employment, complimented by a formal research programme.

### **4. Strengthen the institutional capacity of the Department**

4.1 Finalise quick wins of the “Functional Shift”:

- Establish the Chief Operations Office at Head Office
- Relocate the Office of the Chief Inspector together with the Inspection and Enforcement Service (IES) component from Service Delivery to Labour Policy and Labour Market Programmes (LP&LMP)
- Establish a gender and special projects section at Head Office
- Reprioritise the budget and posts within Corporate Services
- Resuscitate the management development programme.

4.2. Develop transitional plan to review remaining PPP period and post PPP IT enabling strategy:

- Identify and document all outstanding items as agreed in the PPP and agree on an implementation plan to finalise these within the contract period
- Resolve all outstanding contractual and administrative matters if any exist
- Review the PPP to determine the strengths, weaknesses, shortcomings and challenges during the contract period
- Identify future options and research these options to determine the best one for the Department (in-house IT management or another PPP)
- Develop an operational framework for the preferred option
- Develop and implement a “phase-out phase-in” programme (Transitional plan).

### **5. Contribution to Anti-Poverty Strategy**

The Department will continue to play a critical role as a member of the National Task Team and all departmental provincial offices participated at the launch of the Campaign.

The Department will continue to contribute towards poverty eradication and making a dent on unemployment by 2014 through its various programmes. The Department’s programmes are intended to assist people to move out of poverty, they have social partners support and enjoy solidarity amongst those that are fortunate and less fortunate. These programmes are driven

## Programme Performance

through legislation that is in line with international conventions and include the following:

- Minimum Sectoral Wage Determinations regulated under the Basic Conditions of Employment Act. The intervention is aimed at protecting vulnerable workers without trade unions to ensure that they are paid a determined wage set after national consultation for sectors such as Domestic Workers, and Farm Workers, etc.
- Unemployment Insurance Fund regulated under the Unemployment Insurance Act. The Fund provides a temporary relief income to those who go on maternity leave and those who lose employment through dismissals and retrenchments up to a period of eight months, depending on their contribution credits. These workers are assisted to secure new employment
- Compensation Fund regulated under the Compensation of Occupational Injuries and Diseases Act (COIDA). The Fund provides a temporary relief income or long-term pension to those injured on duty or those who contracted occupational diseases. The Fund also pays for related medical cost and re-habilitation cost aimed at assisting injured people to re-enter employment
- Learnerships, apprenticeships and internships programmes regulated under the Skills Development and Skills Development Levies Acts. These programmes are aimed at assisting young people to enter employment by providing them with the necessary work experience whilst providing them with a determined living allowance to meet their subsistence needs such as food, transport, etc.
- National Skills Fund Social Development Funding Window and Strategic Projects that is also regulated under the Skills Development and Skills Development Levies Acts. The intervention is aimed at providing the unemployed with skills through ±860 skills programmes that are 2 weeks to 6 months long. Learners are provided with a ±R35 daily allowance whilst participating in these programmes to meet their subsistence needs
- Sheltered Employment Factories provide employment and a living allowance mainly to people with disabilities who would ordinarily find it difficult to access employment in the labour market.

### Public Entities

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

- Commission for Conciliation, Mediation and Arbitration (CCMA)
- Compensation Fund (CF)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Sectoral Education and Training Authorities (SETAs)
- Unemployment Insurance Fund (UIF)
- Umsobomvu Youth Fund (UYF)

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

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

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- Advise a party on the procedure to follow in respect of a dispute in terms of this Act
- Assist a party to obtain legal advice, assistance or representation in respect of a dispute
- Offer to resolve a dispute that has not been referred to the Commission through conciliation
- Conduct, oversee or scrutinise any election or ballot of a registered trade union or registered employers' organisation if requested to do so
- Publish guidelines in relation to any matter dealt with in this Act
- Conduct and publish research into matters relevant to its functions
- Provide, upon request, workers, employers, registered trade unions, registered employers' organisations or councils with advice on training relating to the primary objects of the LRA
- Perform any other duties imposed, and exercise any other powers conferred on it by or in terms of the LRA and perform any other function entrusted to it by any other law.

### **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 workers in the course of their employment.

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

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
- Encourage and promote the formulation of coordinated policy on social and economic matters.

Furthermore, and to achieve the above, the Council:

- May investigate 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 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.

### **Productivity South Africa**

This is a Section 21 Company (Incorporated association without gain), established under the Companies Act, 1973, with the following functions:

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- To promote a culture of productivity in workplaces
- To develop relevant productivity competencies
- To facilitate and evaluate productivity improvement and competitiveness in workplaces
- To measure and evaluate productivity in the workplace
- To maintain a data-base of productivity and competitiveness systems and publicising these systems
- To undertake productivity-related research
- To support initiatives aimed at preventing job losses.

### **Sectoral Education and Training Authorities (SETAs)**

A total of 23 Sectoral Education and Training Authorities (SETAs) were established for a period of 60 months in terms of section 9 of the Skills Development Act, 1998 and may apply to be re-certified for another period of 60 months or for a period as will be determined by the Minister. The process of re-certifying SETAs for the period April 2010 to March 2015 was not completed. The process was abandoned as the DHET proposed a different approach and a new NSDS strategy post the transfer of Skills Development after 1 November 2009.

The SETAs are as follows:

- Banking 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
- 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 regulated in terms of the Skills Development Act, 1998, Skills Development Levies Act, 1999, Public Finance Management, 1999, and include the following:

- 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
- Any other functions as required in terms of their approved constitution.



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### **Unemployment Insurance Fund (UIF)**

The Fund was established under section 4 of the Unemployment Insurance Act (Act No. 63 of 2001), administered by the Director-General of Labour, to provide for the payment from the Fund of unemployment benefits to certain employees, and for the payment of illness, maternity, adoption and dependants' benefits related to the unemployment of such employees.

The Unemployment Insurance Fund collects and receives revenue contributions under the Unemployment Insurance Contributions Act, 2002, administered by the Commissioner of the South African Revenue Service.

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

The central purpose and role of the Unemployment Insurance Fund is defined as:

- Rendering an effective and accessible service to all stakeholders
- Being a sustainable organisation with sufficient reserves
- Administering the Fund professionally.

### **Umsobomvu Youth Fund (UYF)**

The Umsobomvu Youth Fund (UYF) was established in 2001 and mandated to facilitate and promote the creation of jobs and skills development and transfer among young South Africans between the age of 18 and 35. The UYF fulfils its mandate by making strategic investments that facilitate opportunities for young people to acquire skills, to access job opportunities or pursue meaningful self-employment opportunities through various initiatives. The Fund received R855 million in 2001 and a further allocation of R400 million in 2007/08. The UYF was part of a review on development of financing institutions and will be undergoing a mandate alignment based on the findings.

The organisation's priorities are informed by the Accelerated and Shared Growth Initiative for South Africa (ASGISA), the National Skills Development Strategy (NSDS) and the anticipated national youth policy. The UYF has contributed to achieving these national policy objectives by:

- Improving access to employment opportunities through the provision of career development information and counselling, job preparation and development, and linking young people to employment opportunities facilitated through a range of delivery channels that include Youth Advisory Centres (YAC) (including mobile centres), the South African youth card and magazine, Youth Connect (a UYF operated call centre), and the internet portal.

Since its inception, over 1.1 million young people have accessed UYF services through the YAC programme. A total number of 121 YACs established to date, including two UYF- full service operated YACs (in Tshwane and Nelspruit).

UYF's youth portal has recorded over 10 million hits since inception. The UYF call centre (Youth Connect) recorded 27 000 calls in 2007/08, bringing the total number of calls since inception to 233 948. The South African youth card increased its membership by 58 425 during 2007/08, bringing the total number of members to 131 937 since the start of the programme.

- Expanding support for entrepreneurial activity and self-employment through the delivery of entrepreneurship information and training, business development consultancy and advisory services, access to market opportunities/employment and enterprise finance.

A total number of 5 480 Business Development vouchers were issued in 2007/08 to the value of R36 million, resulting in the creation of 2 256 new businesses and 5 795 jobs. A total number of

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119 voucher clients accessed loans to the value of R57.1 million and 23 clients accessed tenders worth over R15 million. Since the inception of the voucher programme, over 29 000 vouchers have been issued to youth and women, who have in turn accessed loans exceeding R200 million and tenders worth over R100 million.

Since the inception of the business opportunity support services (BOSS) programme, over 1 500 entrepreneurs have been linked to business opportunities worth over R250 million. The job opportunity seeker (JOBS) programme, aimed at linking unemployed graduates to jobs, has registered over 8 000 CVs, sourced 2 949 employment opportunities and dispatched 2 819 CVs to employers in 2007/08, and 531 young people registered on the JOBS database have also accessed skills training and job preparedness workshops.

The SME programme has exceeded its target for 2007/08, approving loans in excess of R98 million. The micro-finance programme has issued over 8 000 loans valued at over R19 million, resulting in the creation and or sustainability of over 7 000 jobs

- Facilitating, targeted skills development programmes focusing on graduate development and providing young people with access to training in scarce skills required by the priority sectors identified in ASGI-SA.

Since 2006/07, 1 450 unemployed graduates have benefited from the graduate development training interventions and 3 930 young people are being trained through the school-to-work training programme. These projects are implemented through FET colleges and NGOs. With regards to the entrepreneur development training interventions, 180 teachers and 14 771 learners (in-school) were trained

- Engaging young people in community service and voluntarism is aimed at community development through support for the implementation of national youth service and volunteer programmes.

The national youth service unit has engaged with 19 government departments that have committed to projects that will benefit more than 15 000 young people. To date, 11 484 youth have been registered on national youth service (NYS) projects. The NYS volunteer programme has reached over 20 000 volunteers, most of whom were participants in the Global Youth Service Day campaign.

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### 2. Programme 1: Administration

#### 2.1 Communication

The Chief Directorate of Communication ensures that all clients of the Department are kept informed of the latest developments in the labour market to enable them to understand their obligations in terms of labour legislation as well as of all the available benefits. For this purpose the Chief Directorate is divided into two Directorates with two Subdirectorates in each Directorate, namely the Directorate of Communication with the Subdirectorates of Media Production and Stakeholder Relations, and the Directorate of Media, with the Subdirectorates of Media Liaison, and Marketing and Advertising.

The Chief Directorate reported as follows with regard to the work done in the Financial Year:

##### **Subdirectorates of Media Production**

The Design Studio produced the following publications:

A total of 73 posters, 67 pamphlets, 20 vehicle decals, 1 programme, 2 website banners, 8 banners, 1 folder, 9 greeting cards, 11 certificates, 7 red and yellow cards, 159 business cards, 28 signboards, 3 Staff Communiqué, 1 CD cover, 497 HRM adverts, 35 other adverts, 15 reports, 10 flyers, 1 ad hoc branded item, 1 calendar.

##### **The following publications were distributed:**

A total of 6 000 publications in English and Afrikaans were sent to the Western Cape for the Imbizo in Oudtshoorn, ESSA publications were sent to all provinces (342 500 X 18 books), child labour booklets were sent to provinces and other organisations (200 000 copies), 5 000 Employment Equity CDs were sent to provincial offices, 137 DVDs were distributed to provinces, 105 000 training of layoffs pamphlets were sent to provinces and SETAs and 900 training of layoffs posters were distributed.

Publications were produced and distributed for the OHS Day in the Free State. Various reports were produced and distributed (Strategic Plan, CEE Report, PFMA Annual Report, etc.).

##### **Website**

A total of 311 vacancies and a homepage feature with a link was added, 26 translated OHS publications, training of layoffs information, the DG's profile, 16 media alerts, 2 speeches and 26 media releases were added to the Website.

##### **Intranet**

A total of 43 items were added to the Intranet.

##### **Subdirectorates of Stakeholder Relations**

This Subdirectorates is responsible for facilitating stakeholder engagement between the Department and its stakeholders, as well as the wider public. Through the use of various channels the Subdirectorates disseminates information to targeted audiences.

During the 2009/10 financial year, the Department succeeded in participating at exhibitions where its services were showcased : Shercon Conference in Boksburg, Employment Standards Presentations in Secunda, Minister's Budget Vote Exhibition in Parliament, McDi Career Expo in Hammanskraal, SMME in Sandton, Public Service Week in Centurion, Ministerial Imbizo in Western Cape and Noschcon in North West. The Subdirectorates is also responsible for the placement of internal signage which impacts on the improvement of internal communication.

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#### **Subdirectorate of Marketing and Advertising**

The Marketing and Advertising Subdirectorate is responsible for planning, implementing and monitoring of advertising campaigns of the Department. The Subdirectorate is also responsible for managing promotional items and ministerial corporate gifts, as well as managing the switchboard at Head Office.

In the 2009/10 financial year, the Subdirectorate implemented 11 advertising campaigns, and supported Human Resource Management by placing vacancy adverts on a weekly basis in the relevant print media. Among the campaigns implemented were the following:

- Employment Equity (EE) Roadshows awareness campaign
- EE On-line reporting deadline campaign
- Workers' Rights and Inspection and Enforcement Services Campaign
- World Day for Safety and Health Campaign
- Sheltered Employment Factories Awareness
- Child Labour – Children Working in Harzadous Conditions.

Various ministerial events and visits were supported by providing corporate promotional items and exhibitions and events such as the World Day for Safety and Health were supported by providing stakeholders with promotional material.

#### **Subdirectorate of Media Liaison**

The Media Liaison Subdirectorate is responsible for the profiling of ministerial events, as well as initiatives and services rendered by the departmental programmes. During the period under review it profiled events including the Minister's Budget Vote, the visit by the Zimbabwean Minister of Labour, as well as the Minister's Izimbizo in the Western Cape and the Northern Cape Provinces. The Subdirectorate facilitated on-site radio and television interviews at various of the Minister's events.

Support was provided to the following: Inspection and Enforcement Services Blitz Inspections that have been undertaken targeting various sectors, Employment Equity Road Shows, the World Day for Safety and Health in Bloemfontein, as well as the Occupational Health and Safety Public Hearing in Paarl, Western Cape. The Subdirectorate has also met various media houses including the SABC and the Independent Newspaper Group as part of an effort to forge strategic partnership with the media.

## **2.2 Financial Management**

The Office of the Chief Financial Officer (CFO) consists of three Directorates, namely Financial Management, Financial Liaison of Public Entities and Office Administration and Supply Chain Management.

#### **Directorate of Financial Management**

The Directorate of Financial Management strives to ensure sound financial management and establish accountability for public funds allocated to the Department by Parliament.

The Directorate of Financial Management coordinates the compilation of the budget, monitors and controls expenditure and administers salaries in compliance with the Public Finance Management Act (PFMA). In addition, training is provided to develop managers and staff directly involved in financial management.

Financial management is based on a system of monitoring actual expenditure against the funds allocated in terms of the Main Divisions of the Vote and the remuneration of staff members. This is performed with the aid of computerised transversal systems, the Basic Accounting System (BAS)

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and the Integrated Personnel and Salaries System (PERSAL), respectively.

Financial Management provided information and support in the finalisation and conclusion of audit queries issued to the Department of Labour, the Sheltered Employment Factories and the National Skills Fund for the 2009/10 Financial Year. In collaboration with the Office of the Director-General, regular Audit Steering Committee Meetings were held in order to monitor and report on all corrective actions taken to address matters raised by the Office of the Auditor-General of South Africa. The forum focused on audit reports throughout the Department of Labour, including the National Skills Fund, Sheltered Employment Factories, INDLELA, the Compensation Fund and the Unemployment Insurance Fund.

The Annual Financial Statements were prepared in accordance with the prescripts provided by the Office of the Accountant-General. The financial code structures on the Basic Accounting System (BAS), for both the Department and the National Skills Fund were maintained. A help-desk facility was provided to all BAS users within the Department as well as the National Skills Fund.

Support was provided to all spending units within the Department, through the Budget Advisory Committee in ensuring the management and control of financial resources.

Financial Management also provided support to all of the Main Divisions of the Vote regarding the processing of subsistence and travel advances and claims, the payment of salaries and service benefits, salary deduction reconciliations and payment processes, BAS/PERSAL reconciliations and the management of departmental Debt in line with the Department's debt management policy.

#### **Directorate of Financial Liaison of Public Entities**

The Public Finance Management Act, 1999, Treasury Regulations and corporate governance oversight responsibilities concerning 31 Public Entities reporting to the Minister of Labour, rests within this Directorate. This accountability was amplified with the provision of services to these entities, in the form of assistance and support on related matters in pursuit of the Public Entities' individual performance outputs.

During the year under review, the focus of the Directorate was, on the:

- Continued support and assistance with the submission and consolidation of the quarterly financial reports and the analyses thereof
- Benchmarking/standardisation of Public Entities quarterly financial reports in support of uploading into financial monitoring tool
- Identification in performance gaps, including the production and generation of consolidated management reports for early warning purposes
- Creation of Sector Education and Training Authorities' (SETAs') scorecards generating ratings to assist in assessing performance, and identification of the necessary support, guidance and training needs. Key performance indicators were produced
- Continued analysis and capturing of budget and related actual information of all SETAs into a database to track and analyse variances
- Analysis of project and discretionary reserve budgetary planning and assisting SETAs with discretionary reserve planning
- Following up on critical Public Entities and the provision of feedback, guidance and support
- Continuation with capacity building, training and skills transfer to Public Entities personnel
- Analysis of Annual Financial Statements to ascertain Public Entities' financial positions, production of reports reflecting the findings and overall financial performance evaluation, including recommendations on the suggested individual Public Entities
- Development of a financial information monitoring tool, supported by the standardisation of the quarterly financial reports to compare financial results and establish trends for better forecasting
- Building of risk profiles based on the 2008/09 financial year audit outcomes.

The Directorate has also continued in providing financial advisory services to Programme 4:

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Labour Policy and Labour Market Programmes on the assessment of employers' abilities to pay minimum wages, concerning individual applications for exemption from the Ministerial Sectoral Determinations. The number of affected employees borders on 2 132 compared to 1 441 for the previous year.

Financial Liaison of Public Entities also managed the transfer of voted funds from the Department to selected Public Entities in accordance with drawdown agreements subject to pre-set deliverables to ensure sound financial management in order to maximise delivery through the efficient and effective use of the funds so transferred. (Umsobomvu Youth Fund, Commission for Conciliation Mediation and Arbitration, Productivity SA and NEDLAC).

#### **Directorate of Office Administration and Supply Chain Management**

The Directorate of Office Administration and Supply Chain Management supports the line function components through the management and control over procurement processes.

Supply Chain Management (SCM) and Commodity Policies are continuously made available on the Departments Intranet for easy reference and referred back to as part of ongoing support to users. The necessary support was provided to all chief users throughout the Department regarding the facilitation and processing of procurement and logistical matters such as advertising and finalising of bids, processing of orders, transit, accounting (posting function) and warehouse management.

Supply Chain Management also ensured the roll-out of the iQual Database to all provincial offices and INDLELA and provided support to SCM officials involved in the administration of the Database in provinces. Provincial inspections were also successfully executed to eliminate audit queries and provide training in all areas of SCM.

SCM also provided ongoing support to numerous units with regard to the utilisation of iQual and Logis as and when the need arose when Chief Users are either new or absent. Guidelines on various procedures with regard to procurement, contract management, warehouse issues and irregular expenditure were issued through a Chief User workshop and necessary circulars during this financial year, for ease of reference to all users.

Transport services relating to official as well as subsidised and ministerial transport requirements are managed and controlled. The Department is now fully utilising the services of the PPP Fleet Contract with PhakisaWorld Fleet Solutions. Systems have been put in place to ensure the effective and efficient management of the contract. Monthly meetings are held with provincial representatives to ensure the effective management of the contract.

Office accommodation is sourced and managed and Repair and Maintenance Programmes (RAMPs) on State owned buildings are facilitated through the Department of Public Works. RAMPs for nine contracts have been completed and four more will be completed in the new financial year and bid processes for a RAMP in respect of the Head Office building was completed. Planning for follow-on RAMP contracts for the 12 Sheltered Employment Factories have been completed.

Funds devolved from the budget of the Department of Public Works for accommodation and municipal charges, have been fully utilised.

Record and archive functions were performed and messenger and cleaning services were administered. Support was provided to the Department's Ministry and Parliamentary Office in reviewing and finalising records through the development of a new file plan and records management process.

Document security was improved through the installation of mobile shelving in all archive storage facilities.

Approval was secured for the designation of the departmental records manager and briefing

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sessions were held with the National Archive and Records Management Unit of South Africa.

An Asset Management Subdirectorates has been established at the Department's Head Office. Asset Management posts have been approved for the provincial offices and INDLELA. National Asset verification has been conducted for the 2008/09 financial year. Major asset registers are in place for all provincial offices, INDLELA and Head Office. Asset Inventory Controllers were appointed at Head Office, provincial offices and INDLELA.

The Asset Management and Disposal Management Policies have been circulated to users and made available on the Department's Intranet for ease of reference.

Support and guidance was provided to all provincial offices and INDLELA on all asset management related issues to ensure the management and control of assets.

Asset registers in respect of the Department's Information Technology Public Private Partnership (IT/PPP), including the attachment of financial values, were made available.

### **2.3 Human Resource Management**

#### **Introduction**

The Chief Directorate of Human Resource Management's mission is to facilitate the development of staff, ensure effective and efficient utilisation of human capital and to render legal services to the Department of Labour. Two functional areas are covered in the programme, namely, management advisory services and human resource management. The purpose is to provide management with advisory services on strategic management, restructuring, performance management, organisational development and skills development, and at the same time ensure efficient human resource services that promote representativity in line with the Employment Equity Act. The purpose is also to ensure sound labour relations and timeous processing of staff benefits.

The Department's Human Resource (HR) Plan for 2009-2012 is in place.

The Department is promoting Voluntary Counselling and Testing (VCT) to employees. VCT was started at the Head Office and will be rolled out to provinces as well. The counselling referred to was either telephonic, a referral to a health professional or was provided in-house by Employee Health and Wellness (EHWP) Practitioners.

The Department is promoting the health and wellness of employees. The four key pillars that inform the Health and Wellness Programme are HIV and AIDS and TB Management, Disease Management, Health and Productivity Management and Safety, Health, Environment, Risk and Quality Management (SHERQ). The Department is currently implementing the following pillars: HIV and AIDS and TB Management, Disease Management and Health and Productivity Management. There is not enough capacity to implement all four pillars and thus the proposal for the SHERQ pillar to be implemented in the next financial year when funds are available to expand the EHWP structure.

With regards to Gender, Disability and Youth (GDY) matters the following were achieved:

- Cell C "take a girl child to work" day was held on 28 May 2009. The theme for 2009 was "Change your world". About 20 students from Flavious Mareka High School attended and 10 children of the Department's employees also attended this learning programme. Provincial offices also participated in this initiative by inviting schools in their areas
- Casual Day was commemorated in support of people with disabilities on 5 September 2009
- The 16 Days of Activism Campaign for No Violence Against Women and Children as well as

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Disability Day was commemorated through the use of Intranet and exchange postmaster by sensitising staff in general about issues of disability.

Employment Equity continues to be implemented as one of the Department's key strategic areas. As a result, the Department has developed and implemented its successive plan after the plan of 2006-2009 which started from 1 June 2009 to 31 May 2012. Progress with regards to the implementation of the Employment Equity Plan for the period 1 June 2009 until 31 May 2012 is monitored on a monthly basis by Local Employment Equity Consultative Forums (LEECF's) and on a quarterly basis by the National Employment Equity Consultative Forum (NEECF). Comparative Employment Equity representativity profiles are updated monthly to monitor the achievement of the numerical goals.

- With regard to employment equity the following tables depict the current status vis-a-vis the start of the new plan.

#### **Comparative analysis covering 31 May 2009, 28 February 2010 and the goal for 31 May 2012**

SMS Level (13 – 16)			
Gender	31 May 2009	28 February 2010	Goal
Male	69.0%	67.9%	54.0%
Female	31.0%	32.1%	46.1%

The table above reflects that SMS levels are dominated by males. There is a slight decrease of 1.10% of males since the inception of the new plan and the females have increase with the same percentage.

All levels			
Gender	31 May 2009	28 February 2010	Goal
Male	43.9%	44.3%	54.0%
Female	56.1%	55.7%	46.1%

On overall males are under-represented even though they are over-represented at SMS level and visa versa for females.

Females all levels			
Race and gender	31 May 2009	28 February 2010	Goal
African females	39.4%	40.1%	34.7%
Coloured females	5.9%	5.7%	4.9%
Indian females	1.4%	1.3%	1.2%
White females	9.4%	8.6%	5.3%

Males all levels			
Race and gender	31 May 2009	28 February 2010	Goal
African males	35.0%	35.8%	39.4%
Coloured males	4.3%	4.1%	5.9%
Indian males	1.3%	1.4%	1.9%
White males	3.2%	3.0%	6.8%

On overall Africans are over-represented by 1.80%, Coloureds are under-represented by 0.60%, while Indians are under-represented by 0.40% and Whites by 0.50%



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The Department currently stands at 3% representation of people with disabilities across the levels. Even though the Department has exceeded the national target of 2% it has taken a step further and set its target to 5% across all levels by 2012.

## 2.4 Internal Audit

### Introduction

The role of Internal Audit is to provide management and the Audit Committee with independent, objective assurance and consulting services designed to add value and improve the Department's operations, and help it to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

### Achievements

- Thirty audits were scheduled for the Department including the National Skills Fund and the Sheltered Employment Factories. Twenty seven final and three draft audit reports were issued
- In addition 12 ad-hoc requests were attended to and 12 final reports were issued
- The Audit Committee of the Department held seven meetings, assisted by Internal Audit, providing secretarial services.

### Challenges

- Lack of resources, to cover all risk areas within the Department and the Sheltered Employment Factories. There is a lack of specialised skills in the areas of IT auditing and Performance auditing. The Department decided to make use of consultants to provide co-sourcing specialised skills, and in the interim to appoint contract workers to assist with the normal effectiveness/compliance audits during the 2009/10 financial year.

## 2.5 Information Technology

### KRA 9: Strengthening institutional capacity of Department

#### 9.1 **PPP Agreement – Contract overview**

9.1.1 *Target: Improve the management of the IT PPP Contract with Siemens.*

*Achieved:*

- The Director-General chairs and exercises stringent oversight on the Public Private Partnership (PPP) Executive Committee (EXCO) where the top management of the Department and Siemens meet to monitor 9.1.2 implementation and effect corrective action
- All governance structures are fully functional and Deputy Directors-General (DDGs) are responsible and accountable for deliverables on the operations and improvement systems
- Monitoring of Project Steering Committees to ensure the acceleration of development of applications improved. Employment Services of South Africa (ESSA) and Executive Dashboard (ED) are ready for roll-out, and the Inspection and Enforcement Services (IES) Case Management System and Unemployment Insurance Fund (UIF)/Compensation Fund (CF) Financial Systems are on track.

9.1.2 *Target: Identify and document all outstanding items as agreed in the PPP and agree on an implementation plan to finalise these within the contract period*

*Achieved:*

- Plans are in place to accelerate delivery of improvement Systems. The Project Steering Committees led by DDGs as sponsors are fully functional and projects are progressing as per project plans

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- The ESSA enhancements were finalised and the system went live on 23 March 2010. Initial anecdotal evidence from the provinces points to a fully functional PES System
- The Department's Executive Dashboard (ED) data system are ready to go live to be launched on 1 April 2010. The ED will be a tool to monitor and evaluate the implementation of the strategic plan of the Department, will provide early warning up to the level of the Accounting Officer and facilitate early corrective action
- The IES Case Management System and UIF/CF Financial Systems are on track.

#### *9.1.3 Target: Review the PPP to determine the strengths, weaknesses, shortcomings and challenges during the contract period.*

Achieved:

- The KPMG conducted an analysis and submitted a report to the Department in October 2009. The recommendations were considered by the leadership and agreed that the Acting Chief Information Officer (CIO) will put measures in place to develop the Information and Communication Technology (ICT) Strategy and systems to support the business model and strategy of the Department.

#### *9.1.4 Target: Enhance the capacity of the Office of the Chief Information Officer (OCIO) to effectively manage the ICT PPP Agreement and drive the Department's ICT Strategy.*

Partially achieved:

- The post of CIO was advertised in November 2009. Short listing has been finalised and has been submitted for an interview panel to be set up
- Interviews for the post of Manager: ICT were finalised and the incumbent will assume duty in May 2010
- The structure for the OCIO was reviewed and critical posts identified. These were evaluated by Organisational Development (OD) and found to be appropriate to be filled on contract in 2010 due to the lack of funds.

## 2.6 Legal Services

### Chief Directorate of Legal Services

The Department's Legal Services main function is to be proactive and reactive to provide constant, accessible, sound and qualitative legal support services in an effective and efficient manner in the spirit of being constantly committed to accomplishing the goals and objectives of the Department.

The main purpose of Legal Services is achieved by the provision of:

- Litigation services
- Legal opinions
- Contracts, policies and legislation.

The following were achieved during the 2009/10 financial year:

- 147 Litigation cases were dealt with
- 126 Debt collections matters
- 91 Contracts were dealt with
- 49 Legal opinions.

## Programme Performance

### *Programme 1: Administration.*

## 2.7 Risk Management

### Corporate governance arrangements

Provide a brief description of the risk management approach; fraud prevention policies; effectiveness of internal audit and audit committee; and other governance structures, including management processes to minimise conflict of interest, implementation of a code of conduct, and safety, health and environmental issues facing the organisation.

### Corporate governance

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

Management is compliant with and guided by the provisions of the Public Finance Management Act (PFMA), other legislation and Corporate Governance Principles outlined in the King II Report. The King III Report brings about added compliance requirements. Moving forward in the 2010/11 financial year, the Department will embrace and comply to these requirements.

### Risk management

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

During the period under review a Risk Management Strategy and Policy were developed. The focus for 2010/11 is on proper implementation. A strategic risk assessment workshop was conducted in order to identify an array of risks that the Department is exposed to. A comprehensive operational risk assessment exercise was conducted with all branches within the Department. Line managers and subordinates participated in identifying, assessing and developing plans to mitigate significant risks that could negatively affect on the achievement of the set objectives. As a result of this, risk profiles were developed and presented to management. On the basis that the Department has major transitional changes, the strategic risk reviews will be done in the first quarter of the next financial year.

### Management of conflict of interest

There is a process available regarding a management process to minimise conflict of interest within the Department. All senior managers are expected to declare their business interests annually. Other officials have to follow the disclosure mechanisms if they have remunerative work outside the public sector.

### Fraud prevention

The Department has a formal Fraud Prevention Plan to prevent and detect fraudulent activities and to protect assets and other resources from any dishonest and unethical conduct. The Fraud Prevention Plan ensures that the Department addresses all fraud related cases and manage fraud risks effectively. In responding to the new development in the public sphere, the Fraud Prevention Strategy/Plan has been reviewed. Fraud awareness campaigns were conducted with various

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sections within the Department.

#### **Oversight structures**

The Department's Provincial Risk Management Committees were established in the 2008/09 financial year and has been operating since. An evaluation was done regarding the effectiveness of these committees towards year end, and a number of improvements were identified. These improvements will be effected in the 2010/11 financial year and annually the committees will be subjected to such evaluations.

A need was identified to establish a National Risk Committee. This committee will oversee the implementation of the risk management system in the Department at national level. The processes are on course to have such a committee operating in the next financial year.

## **2.8 Security Services**

### **Physical security measures**

#### ***Electronic security systems and security appraisal implementation***

- The electronic security system was implemented at the new Gauteng South Provincial Office and the new Port Elizabeth Labour Centre. The cost of both projects amounted to +-R660 000
- Security appraisals and assessments were implemented at the Compensation Fund, Labour Centres Wynberg, Knysna, George and the Limpopo Provincial Office.

#### ***Contract security***

- Contract security was implemented in 28 labour centres in the following provinces: Mpumalanga, Northern Cape, Limpopo, Eastern Cape, Gauteng South, Western Cape and Gauteng North. Assistance was given in empowering these offices with the procedures on contract security tenders and the evaluation and awarding of private security tenders. The process is conducted in order to protect State property, assets, information and equipment.

#### ***Izimbizo***

- The Department hosted the OHS Day event in May 2009 in Bloemfontein. The Directorate of Security Services coordinated the security arrangements and access control with the various security and emergency services for the Minister, VIP's and the public. There were about 5 000 people that attended the event. Security arrangements were also coordinated for the Minister at Izimbizo in Worcester, De Doorns, Ashton, Robertson and Swellendam in the Western Cape Province. This included meetings with VIP's, Mayors, stakeholders and the public in those areas
- Security arrangements were also coordinated for the Minister and the Zimbabwean ministerial delegation meeting in Pretoria.

#### ***Contingency planning compliance***

- Evacuation drill exercises were conducted at Mpumalanga Provincial Office in March 2009 and at Head Office in October 2009. Disaster Management, the Fire Department and other stakeholders assisted in making the drill a success and positive reports were received
- Contingency plans were implemented at the Western Cape, Gauteng North and Free State Provincial Offices and at the Compensation Fund.

### **Information security measures**

#### **Security awareness programme**

The Security Roll-out Strategy and security awareness were presented in the following offices,

## Programme Performance

### *Programme 1. Administration.*

Eastern Cape, North West, Gauteng South, KwaZulu-Natal, Mpumalanga Provincial Offices and at the Unemployment Insurance Fund and at Head Office. The purpose of the awareness and strategy was to ensure that all officials understand their roles and responsibilities as far as security is concerned. Relevant stakeholders i.e NIA, SAPS, and Disaster Management also presented on their fields.

#### **Personnel security**

- All senior officials completed the application form for Security Clearance. (Z204) Security Vetting was administered in conjunction with National Intelligence Agency. A total of 75% of key strategic staff members were vetted
- 100% personnel suitability checks (PSC) were conducted on all shortlisted candidates and service providers intending to render services within the Department. Personnel suitability checks training was provided by NIA to all officials within Human Resource Management and Security who will be responsible for the PSC and the systems training will follow in due course. Already Head Office security is receiving the raw data from NIA to interpret and make recommendations for appointments
- All officials signed the Declaration of Secrecy form after a circular was issued in that regard, and newly appointed staff also take the oath when they resume duty.

#### **Security investigations**

The Directorate of Security Services received 42 cases to be investigated on security breaches. Of the 42 cases, 32 were investigated and finalised.

#### **Training**

The following courses were attended by officials:

- NIA Security Managers Course
- UNISA Security Risk Management Course
- Investigation Course
- Report Writing.

#### **Establishment of the Vetting Unit**

The Director-General approved the signing of the Memorandum of Understanding between the Department and NIA. Funding was requested from National Treasury but could not be approved.

## Programme Performance

### *Programme 2 Service Delivery: Performance*

#### **Programme 2: Service Delivery**

##### **ENE 2009/10 -2011/12 Measurable Objectives**

- Increase percentage of work-seekers placed in employment opportunities to 65%, using the employment services database
- Ensure training of 90 000 unemployed people, 70% placed and 26% of training is accredited by 2011/12
- Ensure that companies applying for foreign labour (international labour migration) through the Department of Labour from April 2009 implement and are 60% compliant with their EE and Work Place Skills Plans by 2011/12
- Ensure decent work by implementing and enforcing compliance with all labour legislation to 75% of inspected workplaces by 2011/12
- Advocate and enforce compliance with the health and safety legislation to reduce occupational health and safety incidents in the high risk industries by 18% by 2011/12
- Structures and operations of the Department functionally aligned for efficient service delivery by end March 2010.

##### **Programme 2: Service Delivery achievements by sub-programmes**

Employment Services ensured the use of the Employment Services System (ESSA) to serve unemployed and under-employed job-seekers. The immense success achieved through the system can be largely attributed to the number of unemployed people who registered on the system, were provided with career information and guidance and placed in opportunities (job opportunities and learning opportunities).

The positive spin-offs related to the two processes include, amongst other things, improved working conditions of the most vulnerable workers, making available channels for registration of unemployed people, ensuring that they are placed and thereby reducing the level of poor working conditions and unemployment in South Africa.

# Programme Performance

## Programme 2 Service Delivery: Performance

Sub-programmes	Outputs	Output performance measures/ service delivery indicators	Actual performance against target	
			Target	Actual
Management Support Services	Strengthen the institutional capacity of the Department of Labour	Structures and operations of the Department functionally aligned for efficient service delivery by end March 2010	Service delivery model and labour centre model developed by March 2011	<p>The following short term measures were approved and implemented as from 1 April 2009</p> <ul style="list-style-type: none"> <li>• <b>The Directorate of Employment Services,</b> was relocated from Service Delivery Branch to the ESDS &amp; HRD Branch</li> <li>• <b>The Chief Directorate of OHS.</b> The Directorate of Inspection and Enforcement Services was relocated from the Chief Directorate of Service Delivery Monitoring to the OHS Programme</li> <li>• <b>The Chief Operations Officer (COO).</b> The Office of the Chief Operating Officer was created in the DG's Office. The support functions in this office will be funded through the transfer of funds and functions from the Chief Directorate Service Delivery Monitoring and the Project Management Office in the DG's Office. The funds have been transferred to the Branch: Administration with effect from the 1 April 2010, in line with the Estimate of National Expenditure 2010/11</li> <li>• <b>Establish one Gauteng:</b> The Acting DDG of Corporate Services led a task-team comprising of the two Provincial Executive Managers and HRM, to integrate the two offices. The structure for an integrated provincial office was developed and it has since been resolved that Mr. Kenny Fick will be the Provincial Executive Manager: Gauteng Province and Ms. Esther Tloane will be transferred to Public Employment Services at Head Office.</li> </ul> <p><b>The Department engaged the assistance of the ILO to lead the organisational review and design</b></p> <p>The International Labour Organisation (ILO) assessment mission visited the country thrice in October/November 2009, January 2010, and February 2010. The ILO Mission conducted an audit of all transformation documents, consulted with staff and strategic stakeholders, and a report was made available to the Department in January 2010.</p> <p>The Department had further discussions with the ILO after receiving the Technical Report and agreed on the Service Delivery Model and the management structure of the Department at Head Office in line with key functional areas of labour administration systems, in line with ILO standards and international practice. This led to the following outcomes:</p>

## Programme Performance

### Programme 2 Service Delivery: Performance

				<p>i) <b>Clarifying the organisation and role of the IES Branch</b> under the supervision of a Deputy Director-General reporting directly to the Director-General. This will create alignment and direct control of all inspection responsibilities across the Department. This will include functions covering compliance and statutory services, conditions of employment, and field services/operations.</p> <p>ii) <b>Clarifying the organisation and role of the Public Employment Services Branch</b>, with specific responsibilities over employer services; and job-seeker services which include job search assistance and placement services, career information and guidance services, and labour market information services.</p> <p>This branch will also be responsible for functional alignment of social security services and other labour market programmes (special employment programmes for people with disabilities, productivity promotion, rehabilitation and reintegration, and social plan interventions) as carried out under the auspices of the Unemployment Insurance Fund, Compensation Fund, Sheltered Employment Factories and Productivity South Africa.</p> <p>iii) <b>Clarify the organisation and role of the Labour Policy and Labour Market Programmes Branch</b> that supervises policy and research, labour relations, and the effective functioning of the CCMA and NEDLAC. This branch will further handle all policy matters relating to the labour market.</p> <p>iv) <b>Creation of the Office of the Chief Operating Officer</b> to take responsibility for effective functioning of provinces; planning (strategic and business) and programme management; and performance monitoring and evaluation.</p> <p>v) <b>Creation of International Relations at a DDG level and clarify their roles and responsibilities.</b></p> <p>vi) <b>Change management and communication strategy and programme developed</b> and the process will be communicated to staff to ensure buy-in.</p> <p>The ILO Technical Cooperation agreed upon with the Department assisted with capacity development in the Labour Inspectorate. Training of Inspectors commenced in February 2010</p>
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# Programme Performance

## Programme 2 Service Delivery: Performance

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
Inspection and Enforcement Services	Promote equity in the workplace	Increase compliance by companies requesting foreign labour through the Department of Labour to 60% of applications by 2011/12, using the employment equity and workplace skills plans	Provincial database of companies which applied for foreign labour developed	2 311 companies were registered/listed on the database; 195 were inspected, with 126 and 84 found to have measures to comply with EEA and WSP respectively
			10 000 EE designated employers were targeted for inspection to ensure procedural compliance with the EEA and 9 539 (85%) complied against a target of 75%	Procedural compliance by designated employers improved to 85% compared to 83% in 2008/09.
			182 companies were identified and targeted for DG Review	164 reviewed, and only 25 were found to be complying.
		Ensure decent work by implementing and enforcing compliance with all labour legislation at 75% of inspected workplaces by 2011/12	75% of the inspected workplaces comply	<p>By March 2010 the Department employed 755 inspectors to monitor and enforce compliance with labour legislation compared to 746 in 2008/09.</p> <p>80% (135 000) of the 147 556 workplaces inspected complied as compared to 82% in 2008/09.</p> <p>Over 150 831 (82%) of the 184 589 labour complaints received were investigated and finalised compared to 178 836 (79%) of 226 297 investigated and finalised in 2008/09.</p> <p>Labour complaints received decreased from 2008/09 (by 18%.</p>
<p><b>Key challenges</b></p> <ul style="list-style-type: none"> <li>• Lack of case management system; and</li> <li>• Data integrity.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• System is being developed to improve data and information management targeting finalisation in 2010</li> <li>• Roving team of inspectors established and capacity development programme implemented.</li> </ul>				

## Programme Performance

### Programme 2 Service Delivery: Performance

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
Employment Services	Contribute to employment creation	Increase the percentage of work-seekers placed in employment to 70% of registered opportunities per year, using the employment services database	65%	<p>41%</p> <p>Over 20 003/41% job-seekers were placed against the 48 499 employment opportunities registered on the database compared to 18 404 (65%) in 2008/09.</p> <p>Job seekers registered on the PES System increased to 636 140 compared to 421 686 in 2008/09 and increased by 214 454.</p> <p>Registered job opportunities increased to at least 48 499 compared to 22 917 job opportunities registered in 2008/9.</p> <p>Registered learning opportunities increased to 7 467 compared to 3 415 registered in 2008/09. Increased by 4 052.</p>
		Reduce unemployment by training 90 000 unemployed people per year, of which 70% should be placed in employment by 2011/12	90 000 (revised to 59 400) unemployed people to be trained and 63 000/70% (41 580/70% as revised) to be placed	<p>12 802 unemployed people trained.</p> <p>7 008 (48%) unemployed people placed.</p>
<p><b>Key challenges</b></p> <ul style="list-style-type: none"> <li>System readiness (enhancements) and inadequate human resources necessitated a hybrid implementation, both manual and electronic</li> <li>SDFW-SCM process lengthy</li> <li>Signing of contracts stopped with effect of 1 November 2009 due to lack of clarity regarding responsibility and accountability between Department of Labour and Department of Higher Education and Training.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Resource the labour centres adequately (human and infrastructure/financial)</li> <li>System readiness to facilitate electronic data capturing and processing.</li> </ul>				

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
Occupational Health and Safety Services	Protect vulnerable workers	Advocate and enforce compliance with the health and safety legislation to reduce occupational health and safety incidents in the high risk industries by 18% by 2011/12	Reduce occupational health and safety incidents in the high risk industries by 2%	<p>Reported OHS incidents decreased by 40% (1 538) from 5 326 in 2008/9 to 3 788 2009/10.</p> <p>Of the 3 788 OHS incidents registered in the system during 2009/10, 1 232 (33%) were investigated and 952 (25%) finalised; compared to 2 956 (56% of 5 326) investigated and finalised in 2008/09.</p>
<p><b>Key challenges</b></p> <ul style="list-style-type: none"> <li>Lack of competence in OHS and capacity to investigate incidents.</li> </ul>				

## Programme Performance

### Programme 2 Service Delivery: Performance

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
Beneficiary Services	Strengthening Social Protection	Enhance quality and improve access to Social Security services and information	70% of claims received are finalised within 5 weeks	52% of claims were finalised.

### KRA 1: Contribute to employment creation

**ENE 2009/10 Measurable Objective:** Ensure training of 90 000 unemployed people, 70% placed and 26% of training is accredited by 2011/12. **Revised to-** The Department will train 59 400 unemployed people and place at least 70% (41 580) in employment.

*Table 11: Training and placement of work-seekers*

Provincial Office	Target to be registered	Actual registered	Target to be trained	Actual trained	Target to be placed	No. placed	% placed	% accredited training
EC	3 900	44 720	5 850	2 752	1 926	2 401	87%	25%
FS	2 700	40 336	4 050	2 100	607	138	7%	0%
GN	2 400	65 493	3 600	0	0	0	0%	0%
GS	3 300	187 028	4 950	3 184	5 945	1 888	89%	44%
KZN	3 900	49 245	5 850	0	0	0	0%	0%
LP	2 700	52 215	4 050	1 919		1 667	87%	0.60%
MP	3 300	64 518	4 950	80	0	229	45%	80%
NC	2 400	11 872	3 600	2 158	3 600	76	2%	68%
NW	2 700	25 369	4 050	609	871	609	70%	100%
WC	2 700	95 344	4 050	0	0	0	0	0
<b>Total</b>	<b>30 000</b>	<b>636 140</b>	<b>45 000</b>	<b>12 802</b>	<b>14 624</b>	<b>7 008</b>	<b>48%</b>	<b>33%</b>

(Abbreviations: EC- Eastern Cape, FS- Free State, GN- Gauteng North, GS- Gauteng South, KZN- KwaZulu-Natal, LP- Limpopo, MP- Mpumalanga, NC- Northern Cape, NW- North West, WC- Western Cape)

**ENE 2009/10 Measurable Objective:** Increase percentage of work-seekers placed in employment opportunities to 65%, using the employment services database.

## Programme Performance

*Programme 2 Service Delivery: Performance*

*Table 2.1: Registration and placement numbers with effect from 1 April 2009 to 31 March 2010*

Provincial Office	Target employment opportunities to be registered	Actual registered	Target placement in registered job opportunities	Actual placement	Target placement in formal or permanent employment	No. placed in formal or permanent jobs	Number of learning opportunities registered	Number placed in learning opportunities
EC	3 900	8 905	2 534	4 007	1 268	1 243	2 794	2 500
FS	2 700	9 712	1 754	2 929	878	2 929	100	78
GN	2 400	5 243	1 560	442	780	230	0	0
GS	3 300	6 160	2 145	6 160	1 073	739	3 185	3 185
KZN	3 900	5 844	2 534	2 217	1 268	2 217	400	81
LP	2 700	1 342	1 754	1 342	878	833	180	30
MP	3 300	1 587	2 145	1 297	1 073	715	341	0
NC	2 400	1 203	1 560	993	780	295	401	70
NW	2 700	164	1 754	61	878	61	69	69
WC	2 700	6 981	1 754	1 064	878	376	50	98
<b>Total</b>	<b>30 000</b>	<b>47 141</b>	<b>19 494</b>	<b>20 512</b>	<b>9 754</b>	<b>9 638</b>	<b>7 520</b>	<b>6 111</b>

(Abbreviations: EC- Eastern Cape, FS- Free State, GN- Gauteng North, GS- Gauteng South, KZN- KwaZulu-Natal, LP- Limpopo, MP- Mpumalanga, NC- Northern Cape, NW- North West, WC- Western Cape)

*Table 2.2: Career information and guidance*

Provincial Office	Target job-seekers to be provided with career information and guidance	Actual job-seekers provided with career information and guidance
Eastern Cape	7 000	9 779
Free State	7 000	10 082
Gauteng North	7 000	7 150
Gauteng South	7 000	3 552
KwaZulu-Natal	7 000	15 862
Limpopo	7 000	6 300
Mpumalanga	7 000	0
Northern Cape	7 000	3 942
North West	7 000	1 830
Western Cape	7 000	11 126
<b>Total</b>	<b>70 000</b>	<b>69 623</b>

# Programme Performance

## Programme 2 Service Delivery: Performance

*Table 2.4: Assessment and counselling*

Provincial Office	Target assessment	Actual assessments	Variance	Counselling achieved
Eastern Cape	702	878	176	9 779
Free State	0	237	0	237
Gauteng North	0	0	0	0
Gauteng South	0	899		3 552
KwaZulu-Natal	4 415	1 521	-81	1 228
Limpopo	0	0	0	0
Mpumalanga	0	0	0	0
Northern Cape	0	1 021	4 229	3 942
North West	300	267	33	1 830
Western Cape		564		1 419
<b>Total</b>	<b>5 417</b>	<b>5 387</b>	<b>4 357</b>	<b>20 568</b>

### KRA 3: Promote equity in the workplace

**ENE 2009/10-2011/2012 Measurable Objective:** Ensure that companies applying for foreign labour (international labour migration) through the Department of Labour from April 2009 implement and are 60% compliant with their EE and Work Place Skills Plans by 2011/12.

*Table 3.1: Companies which applied for foreign labour*

Provincial Office	No. of companies which applied (on database) as at 31 March 2009	No. which applied for corporate permits as at March 2010	No. issued with corporate permits as at March 2010	Target to be inspected	No. inspected	No. of companies with measures to comply with EEA	No. of companies with measures to comply with WSP
EC	76	104	76	28	28	21	7
FS	25	25	8	24	20	13	11
GN	0	0	0	0	0	0	0
GS	11	35	34	30	0	0	0
KZN	227	113	107	86	128	75	49
LP	753	90	90	8	1	0	0
MP	2	2	0	2	2	1	1
NC	0	0	0	0	0	0	0
NW	0	0	0	0	0	0	0
WC	1 217	198	198	16	16	16	16
<b>Total</b>	<b>2 311</b>	<b>567</b>	<b>513</b>	<b>166</b>	<b>195</b>	<b>126</b>	<b>84</b>

(Abbreviations: EC- Eastern Cape, FS- Free State, GN- Gauteng North, GS- Gauteng South, KZN- KwaZulu-Natal, LP- Limpopo, MP- Mpumalanga, NC- Northern Cape, NW- North West, WC- Western Cape)

## Programme Performance

### Programme 2 Service Delivery: Performance

*Table 3.2 Inspections, EE procedural and substantive compliance*

Provincial Office	No. on database as at 31 March 2010	Target	No. inspected	No. of companies with measures to comply at least 75 % procedurally within 90 days	% complying
EC	305	1 200	305	204	67%
FS	1 000	800	1 683	1 538	91%
GN	1 260	800	1 495	1 162	78%
GS	1 160	1 500	1 500	1 291	86%
KZN	2 433	1 800	3 020	2 668	88%
LP	801	800	616	550	89%
MP	900	900	802	691	86%
NC	747	400	509	391	77%
NW	666	700	436	395	91%
WC	1 100	1 100	815	649	79%
<b>Total</b>	<b>10 372</b>	<b>10 000</b>	<b>11 181</b>	<b>9 539</b>	<b>85%</b>

(Abbreviations: EC- Eastern Cape, FS- Free State, GN- Gauteng North, GS- Gauteng South, KZN- KwaZulu-Natal, LP- Limpopo, MP- Mpumalanga, NC- Northern Cape, NW- North West, WC- Western Cape)

#### **KRA 4: Protect vulnerable workers**

**ENE 2009/10-2011/2012 Measurable Objective:** Ensure decent work by implementing and enforcing compliance with all labour legislation to 75% of inspected workplaces by 2011/12.

*Table 4.1: Compliance monitoring and enforcement*

Provincial Office	Total number of inspectors	Target inspections	No. of workplaces inspected	No. of workplaces complying within 90 days	% compliance within 90 days
EC	75	13 680	14 177	10 633	75%
FS	60	10 800	11 771	10 717	91%
GN	68	12 240	17 679	13 532	77%
GS	116	20 880	27 713	20 988	76%
KZN	120	23 426	22 461	19 004	82%
LP	76	10 125	10 102	7 114	70%
MP	57	10 260	10 298	9 400	91%
NC	36	6 143	6 746	5 456	81%
NW	53	9 540	10 175	8 567	84%
WC	94	15 582	16 434	12 658	77%
<b>Total</b>	<b>755</b>	<b>132 676</b>	<b>147 556</b>	<b>118 069</b>	<b>80%</b>

(Abbreviations: EC- Eastern Cape, FS- Free State, GN- Gauteng North, GS- Gauteng South, KZN- KwaZulu-Natal, LP- Limpopo, MP- Mpumalanga, NC- Northern Cape, NW- North West, WC- Western Cape)

## Programme Performance

### Programme 2 Service Delivery: Performance

*Table 4.2: Labour complaints management*

Provincial Office	Total number of complaints received	Total number of complaints investigated	Total number of complaints settled within 90 days by both CSOs and inspectors	% of complaints settled within 90 days by both CSOs and inspectors
Eastern Cape	8 341	8 341	6 382	77%
Free State	11 294	10 646	9 696	86%
Gauteng North	30 317	25 374	24 393	80%
Gauteng South	62 663	55 349	48 566	78%
KwaZulu-Natal	19 895	13 555	19 049	96%
Limpopo	14 601	1 929	13 068	90%
Mpumalanga	16 146	2 195	13 229	82%
Northern Cape	2 388	2 341	2 021	86%
North West	4 677	5 282	4 400	94%
Western Cape	14 267	11 360	10 027	88%
<b>Total</b>	<b>184 589</b>	<b>136 372</b>	<b>15 0831</b>	<b>82%</b>

**ENE 2009/10-2011/2012 Measurable Objective:** Advocate and enforce compliance with the health and safety legislation to reduce occupational health and safety incidents in the high risk industries by 18% by 2011/12.

*Table 4.3: OHS incidents registered, investigated and finalised: 2009/10*

Provincial Office	Total OHS incidents registered on the system as at March 2010	Total OHS incidents investigated	Total OHS incidents finalised within 90 days	Finalisation rate (%)
Eastern Cape	212	372	288	58%
Free State	132	73	73	55%
Gauteng North	297	249	211	85%
Gauteng South	1 528	305	295	23%
KwaZulu-Natal	460	327	327	71%
Limpopo	186	117	117	63%
Mpumalanga	165	165	100	60%
Northern Cape	20	11	24	77%
North West	144	144	75	52%
Western Cape	384	125	64	51%
<b>Total</b>	<b>3 528</b>	<b>1 888</b>	<b>1 574</b>	<b>45%</b>

## Programme Performance

*Programme 3: Employment and Skills Development Services / Human Resource Development*

### Programme 3: Employment and Skills Development Services / Human Resource Development

**3.1 Purpose: To contribute to employment creation and skills development by promoting and monitoring the achievement of the objectives of the National Skills Development Strategy (NSDS) and the National Human Resource Development Strategy.**

*Table 3.1: National Skills Fund (NSF) projects progress against ENC targets for the period 1 April 2009 to 31 March 2010:*

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
<b>Employment and Skills Development Services/ Human Resource Development</b>	Contribute to the implementation of National Skills Development Strategy (NSDS) 2005 – 2010 year 5 targets aligned to the accelerated Shared Growth Initiative – South Africa (ASGI-SA)	Number of Small BEE SMMEs and cooperatives that receive skills development support	1 200	6 091 small BEE enterprises and cooperatives received skills development support.
<b>Reasons for major variances</b> Support was provided to a higher number of SMMEs in order to mitigate the challenges brought about by the economic recession.				
		Number of people participating in trade tests at the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments ( INDLELA)	12 000	8 002
<b>Reasons for major variances</b> The economic recession resulted in a lesser number of apprentices identified. The Department's Provincial Offices stopped the processing of applications for trade tests as from 1 November 2009.				
		Percentage pass rate for trade tests	40%	41%
<b>Reasons for major variances</b> The slight improvement was due to increased quality in training.				
		Number of artisans registered for training by Sector Education and Training Authorities (SETAs)	18 693	Artisans entered: 10 885 Artisans completed: 4 176
<b>Reasons for major variances</b> The economic recession resulted in a lesser number of apprentices identified.				
<b>National Skills Fund</b>	Contribute to the implementation of National Skills Development Strategy (NSDS) 2005 – 2010 year 5 targets aligned to the accelerated Shared Growth Initiative – South Africa (ASGI-SA)	Number of additional unemployed people assisted to enter learning programmes	18 000	10 134



## Programme Performance

### Programme 3: Employment and Skills Development Services / Human Resource Development

<b>Reasons for major variances</b> Uncertainties regarding transfer of skills development functions to DHET by 1 November 2009 resulted in slow and/or stoppage of new contracts from being concluded by the Department's Provincial Offices.				
		Number of new learners who have completed learning programmes	9 000	No report
<b>Reasons for major variances</b> Provincial government reports were still outstanding by end of April 2010.				
		Number of new undergraduate bursaries awarded	7 000	3 598
<b>Reasons for major variances</b> Insufficient applications meeting requirements were received by NSFAS and NRF.				
		Number of new post graduate bursaries awarded	1 700	1 088
<b>Reasons for major variances</b> Insufficient applications meeting requirements were received by NSFAS and NRF.				
		Number of new Adult Basic Education and Training (ABET) learners registered by the NSF	40 000	56 669
<b>Reasons for major variances</b> Target exceeded.				
		Number of new ABET learners who have completed programmes	20 000	44 759
<b>Reasons for major variances</b> The high number is attributed to a high number of learners registered during the previous year and a low drop out rate.				
		Number of additional unemployed people trained	90 000	11 928 unemployed people were trained and only R190.5 million from the approved budget was disbursed.
<b>Reasons for major variances</b> Uncertainties regarding transfer of skills development functions to DHET by 1 November 2009 resulted in the Department's Provincial Offices not signing new contracts beyond 1 November 2009.				
		Number of trained unemployed people placed in employment	63 000	6 933
<b>Reasons for major variances</b> Uncertainties regarding transfer of skills development functions to DHET by 1 November 2009 resulted in the Department's Provincial Offices not signing new contracts beyond 1 November 2009.				
<b>Sector Education and Training Authorities (SETAs)</b>	Contribute to the implementation of National Skills Development Strategy 2005 – 2010 year 5 targets aligned to ASGI-SA	Number of additional cooperatives that receive skills development support	1 000	5 404
<b>Reasons for major variances</b> Individual SETA targets were set higher than national target to support a larger number of cooperatives.				
		Number of ABET learners registered by SETAs	100 000	41 536
<b>Reasons for major variances</b> Resistance to attend ABET classes by workers, insufficient allocation of time-off to attend ABET classes and high literacy levels in some sectors contributed to lower numbers.				

## Programme Performance

### Programme 3: Employment and Skills Development Services / Human Resource Development

		Number of additional ABET learners who have completed programmes	40 000	20 472
<b>Reasons for major variances</b> Resistance to attend ABET classes by workers, insufficient allocation of time-off to attend ABET classes and high literacy levels in some sectors contributed to lower numbers.				
		Number of workers assisted to enter scarce and critical skills programmes through learnerships, apprenticeships, bursaries and skills programmes	26 000	111 831
<b>Reasons for major variances</b> The large number achieved is due to the number of workers who participated in scarce and critical skills shortened programmes.				
		% of workers enrolled in scarce and critical skills programmes who have completed learning programmes	50% (13 000)	195 768 registered from the previous years completed
<b>Reasons for major variances</b> The completion rate is based on the number of workers registered during the 2007-2009 and some programmes that are three years long. Learners registered during 2009/10 were still in programmes.				
		Number of additional unemployed people trained as part of the social development programmes	90 000	(N.B. Numbers are included in the 62 909 below)
		Percentage of trained unemployed people placed in employment	70% (63 000)	(N.B. Numbers are included in 48 229 below)
		Number of additional unemployed people assisted to enter scarce and critical skills programmes through learnerships, apprenticeships, bursaries and skills programmes	26 000	62 909
		Number of additional unemployed learners who have completed learning programmes	13 000 (50%)	48 229
<b>Reasons for major variances</b> The completion rate during 2010, include in the main, learners registered during the previous years.				
		Number of additional youth supported through New Venture Creation programmes	2 000	3 412

## Programme Performance

*Programme 3: Employment and Skills Development Services / Human Resource Development*

*Table 3.3: Consolidated progress against the National Skills Development Strategy NSDS 2005 - 2010 during the five year period (1 April 2005 - 31 March 2010)*

(N.B. Numbers in brackets in the second column depicts total achievements during the four-year period i.e. April 2005 to March 2009 and the fifth year i.e. April 2009 to March 2010 figures).

Indicators	Achievements: 1 April 2005 to 31 March 2010	Annual targets for 2009/10	Achievements 1 April 2009 to 31 March 2010
<b>1. Prioritising and communicating critical skills for sustainable growth, development and equity</b>			
<b>1.1. Skills development supports national and sectoral growth, development and equity priorities</b>	<ul style="list-style-type: none"> <li>During the 1<sup>st</sup> and 2<sup>nd</sup> years of the NSDS, 23 SETAs submitted Sector Skills Plans (SSPs) that were consolidated into a National Master and Critical Scarce Skills List</li> <li>During the 3<sup>rd</sup> year of NSDS, 23 SETA SSPs were consolidated into a State of Skills Publication</li> <li>During the 4<sup>th</sup> year, 23 SETA SSPs were consolidated into a Scarce Skills list</li> <li>During the 5<sup>th</sup> year, a draft Scarce Skills List was produced.</li> </ul>	Skills development supports national and sectoral growth, development and equity priorities	Scarce skills list was produced but has not yet been signed off by the relevant structures.
<b>1.2. Information on critical skills is widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners</b>	<b>85 881 (60 088+25 793)</b> SDF and/or sector specialists were trained to assist companies in developing their skills plans, to make skills information available to learners and to increase participation levels	<b>15 283</b> Development Facilitators (SDFs) and/or sector specialists to be trained	<b>25 793</b> SDFs/sector specialists received training.
<b>2. Promoting and accelerating quality training for all in the workplace</b>			
<b>2.1. By March 2010 at least 80% of large firms' employment equity targets are supported by skills development. Impact on overall equity profile assessed</b>	<b>20 607</b> (16 231 +4 376 ) large firms and <b>21 062</b> (15 239+5 823) medium firms were supported through skills development	<b>3 304</b> large firms and <b>4 135</b> medium firms supported through skills development	<b>4 376</b> large and <b>5 823</b> medium firms were supported.
<b>2.2. By March 2010 skills development in at least 40% of small levy paying firms supported and the impact of the support is measured</b>	<b>115 133</b> (84 164 + 30 969) small levy paying firms supported through skills development	<b>22 145</b> small levy paying firms supported through skills development	<b>30 969</b> small levy paying enterprises supported.

## Programme Performance

### Programme 3: Employment and Skills Development Services / Human Resource Development

<p><b>2.3. By March 2010 at least 80% of government departments spend at least 1% of personnel budget on training and impact of training on service delivery measured and reported</b></p>	<ul style="list-style-type: none"> <li>• During 3<sup>rd</sup> year of NSDS, 85 government departments spent more than 1,77% personnel budget on training</li> <li>• During 4<sup>th</sup> year 65 out of 85 spent more than 1%. 5th year report was outstanding</li> </ul>	<p><b>146</b> government departments spend at least <b>1%</b> of personnel budget on training</p>	<p><b>A report was still outstanding.</b></p>
<p><b>2.4. By March 2010 at least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour</b></p>	<ul style="list-style-type: none"> <li>• During the first two years of the NSDS, the Indicator was not measured due to outstanding research on a South African Standard for people development</li> <li>• During the 3<sup>rd</sup> year, a Framework on Good Practice in Skills Development and awards recommended by the NSA was approved and piloted. 1 Provincial Office of the Department, 3 Social Development Projects, 4 SETAs, 3 Employers and 3 Training Providers</li> <li>• During the fourth year 32 companies received Ministerial Awards</li> <li>• During the 5<sup>th</sup> year of the NSDS, no awards were granted</li> </ul>	<p>No target was set for 2009/10</p>	<p>No awards were granted</p>
<p><b>2.5. Annually increasing number of small BEE firms and BEE co-operatives supported by skills development. Progress measured through an annual survey of BEE firms and BEE co-operatives within the sector from the second year onwards. Impact of support measured</b></p>	<p><b>8 107</b> (4 768 + 3 339) small BEE firms and BEE co-operatives supported with skills development. Of these 400 were supported by the NSF</p>	<p>A total of 1 514 small BEE firms and BEE co-operatives supported with skills development</p>	<p><b>3 339</b> small BEE firms and co-operatives were supported. Of these 400 were supported by the NSF.</p>

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<p><b>2.6. From April 2005 to March 2010 there is an annual increasing number of people who benefit from incentivised training for employment or re-employment in new investments and expansion initiatives. Training equity targets achieved. Of number trained, 100% to be SA citizens</b></p>	<p><b>10 570</b> (6 787 +3 783 ) new, 100% SA Citizens, workers benefited</p> <p>During the 4<sup>th</sup> and 5<sup>th</sup> year of the NSDS, <b>1 552</b> (151 + 1 401) workers trained in BPO in NSF/DTI project</p> <p><b>560</b> (424 +136) Productivity SA future forums were established</p> <p><b>271</b> (188 + 83) turn-around strategies were developed as from the 3<sup>rd</sup> year of the NSDS</p>	<p>Annually increasing number of people who benefit from incentives training for employment/ re-employment in new investments and expansion initiatives</p> <p>12 440 workers trained during 2007-2010</p> <p>120 PSA future forums established</p> <p>Compile 70 turn-around strategies</p>	<p><b>3 783</b> new workers benefited from an allocated <b>R 12,1 paid to 28 SMMEs.</b></p> <p>1 401 workers trained in BPO.</p> <p>136 future forums established.</p> <p><b>74</b> turn-around strategies compiled.</p>
<p><b>2.7. By March 2010 at least 700 000 workers have achieved at least ABET level 4</b></p>	<p><b>204 271</b> (162 735 +41 536) entered all ABET levels and <b>54 092</b> (33 620 + 20 472) completed different ABET levels</p>	<p><b>40 000</b> workers trained across all ABET levels of which 20 000 to complete</p>	<p><b>41 536</b> new learners entered all ABET levels and <b>20 472</b> registered during the previous year, completed.</p>
<p><b>2.8. By March 2010, at least 125 000 workers are assisted to enter and 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured</b></p>	<p><b>453 933</b> (342 102 + 111 831) learners entered learning programmes and 426 850 (231 082 + 195 768) learners completed</p> <p><b>3 339</b> (2231 + 1 108) Education Training and Development (ETD), workers and managers were trained in Productivity SA concepts as from the 3<sup>rd</sup> year of the NSDS</p>	<p><b>56 398</b> workers assisted to enter and 35 194 successfully complete programmes, including learnerships, and apprenticeships</p> <p>1 100 ETD, workers and government managers trained in productivity concepts</p>	<p><b>111 831</b> learners entered learning programmes and <b>195 768</b> completed.</p> <p>1 108 people trained in productivity concepts.</p>

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### Programme 3: Employment and Skills Development Services / Human Resource Development

<b>3. Promoting employability and sustainable livelihoods through skills development</b>			
<p><b>3.1: By March 2010, at least 450 000 unemployed people are trained. This training should incrementally be quality assured and by March 2010 no less than 25% of the people undergo accredited training. Of those trained at least 70% should be placed in employment, self-employment or social development programmes including EPWP, or should be engaged in further studies. Placement categories each to be defined, measured, reported and sustainability assessed</b></p>	<p><b>350 342</b> (338 414 +11 928 ) unemployed people were trained</p> <p><b>232 939</b> (226 006 + 6 933) placed in self or formal employment. <b>29%</b> received accredited quality assured training</p> <p>Up to end of 4<sup>th</sup> year of NSDS, Umsobomvu Youth Fund (UYF) trained <b>58 148</b> youth in National Youth services</p>	<p><b>90 000</b> unemployed people trained</p> <p><b>63 000 (70%)</b> placed in employment, self-employment or social development programmes, including EPWP. and <b>25%</b> of training is quality assured</p> <p>No targets were set for UYF as the entity was transferred to the Presidency</p>	<p><b>11 928</b> unemployed people were trained.</p> <p><b>6 933</b> were placed; <b>28%</b> of the training provided was accredited.</p> <p>Not reported.</p>
<p><b>3.2 By March 2010, at least 2 000 non-levy paying enterprises, NGOs, CBOs and Community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate</b></p>	<p><b>23 603</b> (18 199 + 5 404 ) non-levy paying enterprises supported through skills development by SETAs</p> <p><b>479</b> (367 + 112) community based co-ops supported through skills development by NSF and <b>9 570</b> workers benefitted</p> <p><b>3 013</b> (910 + 2 103) SMME co-ops were trained in productivity improvements by Productivity SA during the 4<sup>th</sup> and 5<sup>th</sup> years of the NSDS</p>	<p><b>3 971</b> non-levy paying enterprises supported through skills development</p> <p><b>120</b> co-ops supported to benefit 4 000 workers</p> <p><b>2 500</b> SMMEs trained</p>	<p><b>5 404</b> non-levy paying enterprises were supported.</p> <p><b>112</b> co-ops were supported and <b>5 570</b> workers benefitted from the training.</p> <p><b>2 103</b> SMMEs were trained.</p>
<p><b>3.3. By March 2010, at least 100 000 unemployed people have participated in ABET level programmes of which at least 70% have achieved ABET level four</b></p>	<p><b>170 094</b> (113 425 + 56 669) unemployed people participated in ABET level programmes of which <b>71 953</b> (27 194 + 44 759) achieved ABET level 4</p>	<p><b>40 000</b> unemployed people have participated in ABET level programmes of which 70% have achieved ABET level 4</p>	<p><b>56 669</b> unemployed people entered all ABET levels and <b>44 759</b> from the previous year completed ABET level 4.</p>

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### Programme 3: Employment and Skills Development Services / Human Resource Development

<b>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</b>			
<b>4.1. By March 2010 at least 125 000 unemployed people assisted to enter and at least 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured</b>	<b>267 065</b> (204 156 + 62 909) unemployed people were trained	<b>36 804</b> unemployed people assisted to enter	<b>62 909</b> entered learning programmes
	<b>167 634</b> (119 405 + 48 229) successfully completed learning programmes	<b>22 785</b> successfully completed programmes	<b>48 229</b> completed.
	<b>8 079</b> (4 308 + 3 771) business vouchers learners were trained in UYF entrepreneurship programme to end of September 2009	<b>6 000</b> business vouchers issued	<b>3 771</b> business vouchers were issued to new enterprises at end of September 2009.
	<b>8 465</b> (4 867 + 3 598) undergraduate and <b>2 085</b> (997 + 1 088) post graduate bursaries were awarded through NRF and NSFAS	<b>4 500</b> undergraduate and <b>1 500</b> post graduate bursaries awarded	<b>3 598</b> undergraduate and <b>1 088</b> post graduate bursaries awarded.
<b>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, of whom at least 70% find placement in employment or self-employment</b>	<b>40 027</b> (30 129 + 9 898) learners in critical skills programmes covered by sector agreements concluded with FET and HET institutions were assisted to gain work experience	<b>17 817</b> learners are assisted	<b>9 898</b> learners were assisted.
	<b>67 816</b> (12 627 + 55 189) young unemployed graduates were linked by (UYF) to sustainable opportunities to end of September 2009	<b>50</b> youth linked to sustainable opportunities	<b>55 189</b> youth were placed in community projects at end of September 2009.

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### Programme 3: Employment and Skills Development Services / Human Resource Development

<p><b>4.3. By March 2010 at least 10 000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures in operation 12 months after completion of programme</b></p>	<p><b>13 809</b> (10 397 + 3 412) young people were trained and mentored to form sustainable New Venture Creations (NVCs)</p> <p><b>755</b> out of <b>981</b> established during 2005/06; <b>634</b> out of <b>3 287</b> established during 2007/08; <b>475</b> out of <b>3 900</b> established during 2008/09; were still in operation 12 months after completion. <b>1 583</b> out of <b>3 412</b> new NVC were established during 2009/10.</p> <ul style="list-style-type: none"> <li>• During the 4<sup>th</sup> year of the NSDS, <b>2 481</b> youth businesses were assisted by the UYF</li> <li>• Up to the end of September 2009, <b>6 312</b> loans were issued to youth enterprises</li> </ul>	<p><b>3 406</b> young people trained and mentored to form sustainable new ventures, and at least 15% of new ventures still in operation 12 months after completion of programme</p>	<p><b>3 412</b> learners entered NVCs programmes. <b>634</b> out of 3 287 NVCs established by young people were sustainable after 12 months.</p> <p><b>6 312</b> loans were issued to youth enterprises by end of September 2009.</p>
<p><b>5. Improving the quality and relevance of provision</b></p>			
<p><b>5.1. By March 2010 each SETA recognises and supports at least 5 Institutes of Sectoral and Occupational Excellence (ISOE) within public or private institutions and through Public Private Partnerships (PPPs) where appropriate, spread as widely as possible geographically for the development of people to attain identified critical occupational skills, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training</b></p>	<p><b>2 110</b> (1 487 +623 ) ISOEs supported</p> <p>The Skills Development Act was amended following a Joint Statement on the NQF Review in 2008 to provide for a Quality Council for Trades and Occupations (QCTO).</p> <p>The QCTO was launched by the Minister of Higher Education and Training in February 2010</p>	<p><b>545</b> Institutes of Sectoral and Occupational Excellence (ISOE) recognised and supported by the SETAs</p> <p>QCTO launched by end of September 2009</p>	<p><b>623</b> ISOEs have been recognised and supported.</p> <p>The QCTO was launched by the Minister of Higher Education and Training in February 2010.</p>
<p><b>5.2. By March 2010, each province has at least two provider institutions accredited to manage the delivery of the new venture creation qualification. 70% of new ventures still operating after 12 months will be used as a measure of the institutions' success</b></p>	<p><b>558</b> (420 + 138) provider institutions were accredited to manage the delivery of the new venture creation qualification</p>	<p><b>107</b> provider institutions accredited to manage the delivery of the new venture creation qualification</p>	<p><b>138</b> provider institutions were accredited.</p>



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### *Programme 3: Employment and Skills Development Services / Human Resource Development*

<p><b>5.3. By March 2010 there are measurable improvements in the quality of the services delivered by skills development institutions and those institutions responsible for the implementation of the National Qualification Framework (NQF) in support of the NSDS</b></p>	<p>The Department commissioned studies in learnerships, ETDP, NSDS. The reports indicated marked improvements and were very positive on the impact of skills interventions. Published copies are available from the Department</p>	<p>No targets were set for 2009/10</p>	<p>Impact assessment of the NSDS 2005 -2010 was scheduled to take place during 2010/11 financial year.</p>
<p><b>5.4. By March 2010, there is an NSA constituency-based assessment of an improvement in stakeholder capacity and commitment to the National Skills Development Strategy</b></p>	<p>During 3<sup>rd</sup> year of the NSDS, UNISA conducted SETA Boards constituency assessments across 19 SETAs. 15 were found to be competent. A special programme was developed with UNISA for SETA Board Members to improve competencies in King II Report, cooperative governance and financial management</p> <ul style="list-style-type: none"> <li>• During 2<sup>nd</sup> to 4<sup>th</sup> years NSA stakeholders were funded under the NSF to develop own constituency capacity</li> </ul>	<p>No targets were set for 2009/10</p>	

## Programme Performance

*Programme 3: Employment and Skills Development Services / Human Resource Development*

### 3.4 Skills levies collected and transferred to SETAs and the NSF

The table illustrates the total levies collected by SARS and transferred to SETAs and the NSF within 30 days of each second month up to the end of March 2010. The amounts represent 1% of the employer's payroll.

*Table 3.4 Skills levies collected and transferred to SETAs and NSF*

Period 1 April 2009 – 31 March 2010	Total amount collected	Amount transferred to SETAs during the levy year	Amount transferred to NSF during the levy year
<b>Total</b>	<b>R7 828 298 976</b>	<b>R6 262 639 120</b>	<b>R1 565 659 855</b>

### 3.5 Productivity SA

Productivity SA's key priorities include promoting productivity knowledge and awareness, skills development and accelerating productivity within the non-formal economy through interventions that encourage social dialogue and collaboration between partners.

*Table 3.5 Productivity SA progress against EN targets for 2009/10*

Indicator	Annual targets for 2009/10	Achievements April 2009 to March 2010	Reason for variance
Number of Education, Training and Development Service Providers (ETDP) trained as productivity trainers each year	500	<b>255</b>	The Department of Basic Education and Training changed the approach of direct productivity training of ETDP in schools. The Productivity SA focus was shifted to training Curriculum Implementers at district level, who in turn assumed responsibility of training ETDPs and conducted programme evaluation.
Number of emerging entrepreneurs trained in productivity improvement and competencies	2 500	<b>2 103</b>	Lack of funding due to the cancellation of an agreement with SEDA and the suspension of the agreement with the Umsombovu Youth Fund during their transfer to the Presidency.
Number of skills development facilitators trained in productivity concepts	200	<b>148</b>	Only the BANKSETA responded to the training of its SDF's whilst the Energy SETA training was rescheduled for 2010/11.
Number of managers and workers trained to enhance productivity competencies and mindsets in private and public enterprises	600	<b>835</b>	Target exceeded
Number of future forums established at companies with turn-around solutions	120	<b>136</b>	Target exceeded

## Programme Performance

### Programme 4: Labour Policy & Labour Market Programmes

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

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
<b>Employment Equity</b>	Promote equity in the labour market	Employment equity is being promoted in the labour market through the strengthening of the implementation and enforcement mechanisms of the Employment Equity Act, 1998 (the Act) in various workplaces	60 JSE listed companies to be assessed for substantive compliance with the Employment Equity Act	<p>67 JSE listed companies were reviewed and EE plans had been approved by the Director-General for implementation.</p> <p>12 National EE Awareness campaigns were successfully conducted in all Provinces.</p> <p>New EE Reporting form and guidelines on EE Online reporting were published in July 2009.</p> <p>The CEE has successfully developed and submitted their 10th Annual report to the Minister by end of March 2010.</p>
<p><b>Reasons for major variances</b></p> <p>The initial target of companies to be DG Reviewed in the financial year 2008/09 was 60. However, while the Department was in the process of requesting information from the targeted 60 listed with the Johannesburg Security Exchange (JSE), it was found that these companies had subsidiaries. Therefore, these subsidiaries increased the number of companies targeted from 60 to 67.</p>				
<b>Employment Standards</b>	Protect vulnerable workers	<p>The three major areas of focus for the Employment Standards Directorate are:</p> <ul style="list-style-type: none"> <li>The establishment and review of sectoral determinations</li> <li>The administration of the Basic Conditions of Employment Act include the assessment of applications for variations as well as child labour</li> </ul>	7 Sectoral determinations to be reviewed and published	<p>5 Sectoral determinations were reviewed and amended.</p> <p>A report on the outcome of the investigation into the Welfare Sector was submitted to the Minister although a sectoral determination was not made in the sector.</p> <p>The Hospitality Sector investigation has been finalised and a report has been submitted to the Employment Conditions Commission (ECC) for its consideration.</p> <p>Applications on variations dealt with: 555 reviewed 402 granted 138 refused 2 withdrawn.</p> <p>Regulations on worst forms of child labour published.</p> <p>A report tool for different government departments was developed.</p>

## Programme Performance

### Programme 4: Labour Policy & Labour Market Programmes

#### Reasons for major variances

1. The investigations into the hospitality sector was not finalised on time and carried over into the new financial year.
2. The investigation into the welfare sector although finalised and the recommendation made to the Minister did not result in a sectoral determination and is reported as such.

<b>Strengthen Civil Society</b>	Protect vulnerable workers	Protect vulnerable workers by funding Civil Society Organisations that are involved in the world of work	7 Civil Society Organisations to be funded	8 Civil Society Organisations were funded.
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#### Reasons for major variances:

As a result of the economic meltdown in 2009 there was a request made by NUMSA to the Minister to fund the conference on the effect of the financial meltdown in the Motor and Metal Sectors. A virement was done within the Department to arrange the SCS budget to fund the above mentioned conference.

### KRA 3: Promote equity in the labour market

Employment equity is being promoted in the labour market through the strengthening of the implementation and enforcement mechanisms of the Employment Equity Act, 1998 in various workplaces.

#### Achievements

In the 2009/10 financial year, the employment equity implementation and enforcement mechanisms were strengthened by conducting follow-ups on **67 Johannesburg Securities Exchange (JSE) listed Companies, including multinationals**, operating in similar sectors, which were reviewed and issued with Director-General Recommendations by the Director-General in the 2008/09 financial year. All 67 companies had complied with the Director-General Recommendations and their Employment Equity Plans had been approved by the Director-General for implementation. These companies have now been placed under monitoring and follow-up meetings on the Income Differential Statements will be conducted in the next financial year to determine if race and gender play any role in determining remuneration of employees across all occupational levels.

In order to ensure that stakeholders are kept abreast on the latest legislative developments in the Employment Equity (EE) environment, **12 national EE awareness campaigns were successfully conducted in all provinces throughout the country** with a separate internal workshop conducted for the Department's provincial staff. Promotional materials, i.e. CDs and booklets were developed and distributed to stakeholders to provide them with employment equity implementation tools such as the newly published EE Regulations of July 2009 containing new EE Reporting Forms; guidelines on EE Online reporting; Codes of Good Practice on how to manage the impact of HIV and AIDS in the workplace, etc. These campaigns were well received by stakeholders and the attendance was exceptionally high varying from 400 to over 1 000 people in large cities like Johannesburg and Pretoria. The campaigns were successfully marketed through regional newspapers and radio, including interviews on radio talk shows promoting compliance with the Employment Equity Act.

Furthermore, in order to keep the EE System updated with the latest legislative and IT developments, **this System was enhanced to incorporate the new EE Reporting Forms in preparation for the 2009 October EE reporting period**. The EE System was successfully put into production on 1 September 2009 to enable employers to start reporting Online and also allow internal capturing of EE reports that were submitted manually by employers. The internal capturing of manual submissions by employers was successful not only at Head Office level, but throughout all the Department's provincial offices. The EE Online reporting facility was a great success with over 80% of all EE reports having been submitted Online.

In order to ensure that the Department's provincial staff are kept abreast of the latest developments in the employment equity environment, **EE training was also provided to them on the IT enhancements done on the EE System**, especially on how to capture the EE Reports

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### *Programme 4: Labour Policy & Labour Market Programmes*

into the EE System utilising the new EE Reporting Forms as published in the EE Regulations of July 2009. The training provided was aimed at enhancing the knowledge and skills of provincial staff not only on how to capture the EE Reports, but also on how to provide technical support to their own provincial employers on how to report Online during the October 2009 period.

Efficient technical and secretarial support is continually being provided to the Commission for Employment Equity (CEE) in order to ensure that they deliver on their legislative mandate. **The CEE has successfully developed and submitted their 10<sup>th</sup> Annual Report to the Minister by the end of March 2010.** The report provides feedback on the status of employment equity in the country based on the data sourced from EE Reports submitted by designated employers in the 2009 October reporting period. This report reflects on progress over a 10-year period since the inception of the Act covering 10 sets of EE data submitted by employers since the first reporting period in 2000. The report also provides feedback on the progress made by various sectors, business types (i.e. private sector, national government, provincial government, local government, parastatal, non-profit organisations and educational institutions). It is envisaged that this report will be published in the beginning of the 2010/11 financial year.

As part of the employment equity monitoring mechanisms, **the 2009 EE Public Register was developed and submitted to the Minister for approval before publication at the end of March 2010.** This Public Register is more comprehensive because it contains not only a list of large employers who were legally expected to report for the 2009 October reporting in terms of section 21 of the Act, but it also contains a list of all small employers that reported for the first time after being designated. It is planned that this Register will be published early in April 2010 for public consumption.

### ***KRA 4: Protect vulnerable workers***

The three major areas of focus for the Employment Standards Directorate are:

- The establishment and review of sectoral determinations
- The administration of the Basic Conditions of Employment Act include the assessment of applications for variations
- Child labour.

#### **Achievements**

The Sectoral determinations for the following sectors were reviewed and amended:

- Wholesale and Retail
- Civil Engineering
- Private Security
- Forestry
- Contract Cleaning.

A report on the outcome of the investigation into the Welfare Sector was submitted to the Minister although a sectoral determination was not made for the sector.

The Hospitality Sector investigation has been finalised and a report has been submitted to the Employment Conditions Commission (ECC) for its consideration.

The investigation to review the Learnership Determination has also been started and will be finalised in the new financial year. A report on norms and benchmarks on proportionate income differentials in terms of the Employment Equity Act could not be submitted in time since the data became only available at the end of March 2010.

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### *Programme 4: Labour Policy & Labour Market Programmes*

#### Highlights in respect of Child Labour

The Regulations on the Worst Forms of Child Labour was published in the Government Gazette. A reporting tool to be used by government departments and other social partners was developed.

#### Variations to the Basic Conditions of Employment Act, 1997 ( BCEA )

Regulations to the BCEA were amended to deal with variations that were decentralised to provinces. This amended the application form in the instance where applications for variations only had a provincial impact.

The decentralisation of provincial variations was approved and variations can now be done at a provincial level. This excludes applications for national variations and variations dealing with wages.

All the applications on variations received have been dealt with. The following indicates the number of applications received:

Brought forward	12
Total number received	555
Total number granted	402
Total number refused	138
Number withdrawn	3
Further information requested	12

#### Strengthening civil society

The Department protects vulnerable workers by funding Civil Society Organisations that are involved in the world of work.

#### Achievements

The Strengthening Civil Society Fund was allocated an amount of R13 795 000 for the financial year 2009/10. Eight civil society organisations that are involved in building capacity of labour organisations and that train vulnerable workers about their rights were funded and two of these organisations were funded from the Compensation Fund. The advice offices work closely with the labour centres of the Department in identifying abuse of workers in the vulnerable sectors particularly in the domestic and agricultural sectors. All of these organisations were visited to monitor their progress and their financial statements were audited.

#### *Organisations that were funded*

Workers College Natal	KwaZulu-Natal
DITSELA	National
SA Labour Bulletin	National
COSATU – May Day	National
SACUTO – May Day	National
Industrial Health Resource Group	Western Cape
Workers World Media Productions	National
NUMSA	National

## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

#### **KRA 7: Promote sound labour relations**

During the period 1 April 2009 to 31 March 2010, 31 collective agreements of bargaining councils were dealt with by the Department. Thirteen of these agreements involved the renewal and extension of period of operation and 18 were extended to non-parties covering 728 821 workers. There was a total of 47 registered bargaining councils as at 31 March 2010.

The Department received a total of 118 applications for the registration of employers' organisations and trade unions. Of these, only 17 were approved – 4 in respect of employers' organisations and 13 applications for the registration of trade unions. A total of 101 applications for registration of labour organisations were rejected. The registration of 16 employers' organisations and 29 trade unions were cancelled during the year as well as 4 cancellations due to amalgamations of trade unions. There were a total of 199 registered trade unions and 167 registered employers' organisations at the end of the reporting period.

An amount of R356 442 200 million was transferred to the CCMA for its budget for the 2009/10 financial year. In the period, 1 April 2008 to 28 February 2010, the CCMA received 139 351 referrals and settled 66% of its cases. It conducted 42 032 con/arbs, facilitated 784 section 189A cases (dismissals based on operational requirements) and conducted 95 pre-dismissal arbitrations. The CCMA took the lead in implementing the training layoff scheme and by 31 March 2010, had facilitated agreements to implement training layoffs in four companies affecting 2 100 workers.

#### **Challenges**

The identification of non-genuine labour organisations and ongoing non-compliance with legal requirements by labour organisations continue to remain a challenge for the Department. The CCMA experienced a significant increase in its case load due to the economic situation and this trend may continue into the next financial year.

#### **Labour Market Policy programme (LMP)**

The Labour Market Policy programme has three directorates: Research Policy and Planning, Labour Market Information and Statistics, and International Relations. The following is a summary of the three directorates' planned work, targets and achievements for 2009/10.

The following is the report against specified targets:

Sub-programmes	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
Contribute to employment creation	South Africa's Decent Work Country Programme developed	Decent Work Country Programme for South Africa produced	Decent Work Programme to be developed and finalised with social partners, including the ILO	The Programme was finalised with social partners, including the ILO at NEDLAC.
	Worker cooperatives strategy developed	Worker cooperatives strategy to be developed	Worker cooperatives strategy to be developed	Not developed.
Strengthening multilateral and bilateral relations	Participation in the ILO Governing Body and International Labour Conference ensured	Develop South Africa's position on issues for discussion in the Conference and Governing Body	Briefing notes produced for the delegation that participated in the Conference and Governing Body meetings	Briefing notes produced for the delegation that participated in the Conference and Governing Body meetings.

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	Ensure compliance with the ILO's constitutional requirements in terms of Article 19 and 22 of the Constitution of the ILO	Respond to the request for reports from the ILO's Committee of Experts on the application of standards	The following reports to be submitted: 5 reports on Article 19 and 13 reports on Article 22	5 reports on Article 19 submitted. 13 reports on Article 22 submitted.
	Monitor and report on the progress of the 5 officials placed at the ILO for capacity development on labour market and Information	Constant liaison with the ILO on progress with the training programme	Training programme for the 5 officials completed by February 2010	Training programme for the 5 officials completed by February 2010.
	Implementation of bilateral and multilateral relations	Department hosted the SADC Labour Minister's conference from 30 March – 3 April 2009 in Cape Town	Discussions on a number of labour issues to take place and decisions to be taken	Discussions on a number of labour issues held and decisions taken.
	Participate in ARLAC's capacity development programmes	Facilitate the participation by departmental officials in training programmes offered by ARLAC	Departmental officials to participate in programmes offered by ARLAC	<p>Departmental officials participated in the following 6 programmes offered by ARLAC:</p> <ul style="list-style-type: none"> <li>• Labour Law Reforms under Restructuring Economies: 11 to 15 May 2009</li> <li>• Exploring the Extent and Impact of Impending Policies on HIV and AIDS at the Workplace: 3 to 7 August 2009</li> <li>• Developing Social Protection Strategies for Migrant Workers Under the Dimensions of Globalisation: 24 to 28 August 2009</li> <li>• Strengthening the Labour Market Information Systems in view of the Demands for Social Economic Development: 7 to 11 September 2009</li> <li>• Review of Specialized Training in Occupational Safety and Health and Emerging Issues: 21 to 25 September 2009</li> <li>• The Effects of New Technologies on Employment Creation, Policy Reviews and Social Protection: The Challenges of Downsizing and Rightsizing: 5 to 9 October 2009</li> <li>• ARLAC Workshop on Strategies of Transforming the Informal Economy to Salaried Economies: 17 to 21 May 2010</li> </ul>



## Programme Performance

### Programme 4: Labour Policy & Labour Market Programmes

	Participation in the AU Labour and Social Affairs Commission ensured	Ensure effective participation in the AU Labour and Social Affairs Commission through the preparation of briefing documents that outline positions on issues for discussion	Participate in AU Labour and Social Affairs Commission meetings	Participated in the meeting held from 28 September – 2 October 2009.
	Formalise bilateral relations with the German Ministry of Labour	Finalise the instrument that will be signed to formalise relations	Sign a letter of intent with Germany	The Joint Letter of Intent signed on 8 September 2009 in Berlin, Germany.
	Implement the signed bilateral cooperation instruments	Develop programmes to implement the relations	Develop programmes to implement the relations	Hosted delegations from China and Zimbabwe.
<b>Reasons for variation</b> <b>Worker cooperatives strategy not developed:</b> <ul style="list-style-type: none"> <li>Due to challenges in compliance with SCM procedures, identified providers were not complying with needed criteria.</li> </ul>				
The impact of the Department's Strategic Plan on stated goals and objectives researched and reported on, new research areas identified, and approved	Research, Monitoring, and Evaluation Agenda approved, commissioned and implementation started	Research, Monitoring, and Evaluation Agenda developed, approved and implementation started	<ol style="list-style-type: none"> <li>Research, Monitoring, and Evaluation Agenda developed, approved and implementation started.</li> <li>The following approved research projects implemented: <ol style="list-style-type: none"> <li>2.1. Creative Industry workers study.</li> <li>2.2. Bargaining council pension fund.</li> <li>2.3. Conditions of employment for the Unskilled labour sector.</li> <li>2.4. Impact of sectoral determination on vulnerable workers.</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>2<sup>nd</sup> Research, Monitoring, and Evaluation Agenda was developed, approved and implementation started on the following: <ol style="list-style-type: none"> <li>1. Evaluation of the II NSDS.</li> <li>2. UIF Client satisfaction.</li> <li>3. UIF Compliance.</li> <li>4. OHS.</li> <li>5. ESSA.</li> </ol> </li> </ol> <p>Procurement completed, appointments of service providers were finalised and contracts were signed. Project plans and research proposals, with proposed methodologies were submitted.</p> <p>In terms of research projects approved in 2009, final research reports were not completed by March 2010.</p>

## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

#### Reasons for variation

Other research projects for 2009/10 were implemented but final reports could not be made due to the following:

- Procurement and contracts were finalised in August 2009 and most of them were signed in September 2009
- Research is an evolving project that gets affected by changes and new developments in the economy, as such some of the methods had to be changed, thereby delaying the completion
- Extension requested for some of the projects due to changes in methodology and scope
- Unrealistic timeframes are set during the procurement process or on ToRs, for example these projects had a time frame of 6 months which was unrealistic when one consider what needs to be done and the level of response regarding research processes, particularly in developing instruments and in data collection
- All the research reports will be concluded by the 1st quarter of 2010/11.

	Annual Labour Market Review produced	Annual Labour Market Review developed, approved and submitted for publication	Annual Labour Market Review developed approved and submitted for publication	Annual Labour Market Review was developed with the title: 'Making the Invisible visible" and it was approved and submitted for publication.
	Quarterly Labour Market Briefing Reports produced	4 Labour Market Briefing Reports based on internal and external data trends developed and disseminated	4 Labour Market Briefing Reports to be developed and disseminated to the Department's management	4 Labour Market Briefing Reports submitted, approved by the Minister and disseminated to the Department's management. These reports show the trends in the labour market based on information generated from 4 labour force surveys and the Department's internal statistics such as UIF, job vacancies and work-seekers.
	Prepare research briefs and working papers based on signals from the Minister of Labour	Prepare briefing notes as and when they are requested	Respond by preparing all briefing notes requested	Briefing notes prepared and submitted to the Minister and senior managers.
	Speeches prepared and submitted for the Minister and senior managers	Speeches prepared and submitted for the Minister and senior managers	Prepare all speeches for the Minister and senior managers as requested	All speeches requested were prepared and submitted.
	Prepare proactive briefs for the Minister on developments emerging from new research conducted and produced externally	Prepare proactive briefs for the Minister	Proactive briefs for the Minister prepared	Proactive briefs prepared and submitted to the Minister.

## Programme Performance

### Programme 4: Labour Policy & Labour Market Programmes

	Provide research and policy advice and support to ensure mandated the Department's position to: <ol style="list-style-type: none"> <li>1. International Labour Conference (ILC)</li> <li>2. ILO Governing Body</li> <li>3. AU (Labour and Social Affairs Commission)</li> </ol>	Attend the ILC meeting, the ILO governing body and AU labour and social affairs commission and submit mandated the Department's positions	Position papers prepared and submitted for the ILC meeting, the ILO governing body and AU Labour and Social Affairs Commission	Prepared and submitted position papers for the ILC meeting, the ILO governing body and AU Labour and Social Affairs Commission.
Changing labour market trends detected, reported and implications for the Department's interventions explored	Annual labour market reports and media statement produced	Number of annual labour market briefing reports and media statements published	3 annual labour market reports produced: Industrial Action, Annual Labour Market and Job Opportunity and Unemployment in SA published	3 Annual Labour Market Reports submitted and approved by the Minister for publication. These reports show the changes in the labour markets over 12 months and provide comparisons to the previous years.
	Bi-Annual Labour Market Report consolidated	Number of Bi-Annual Labour Market Reports consolidated	2 Bi-Annual Labour Market Reports consolidated and finalised	2 Bi-Annual Labour Market Reports completed and posted on the intranet and internal G drive.
	Policy Briefing inputs provided	Number of policy briefing inputs produced	At least 10 policy briefing inputs developed and submitted to inform the Department's decision makers	10 policy briefing inputs discussed, completed and submitted to the Department's senior management.
Labour Market Information Service maintained	Updated and maintained Labour Market Information System	Accessible LMI system through the Department's website	Maintain and update the LMI system quarterly	Maintained and updated the LMI system quarterly and information accessed by officials.
	The Department's Executive Dashboard developed and completed	Accessible Executive Dashboard developed and completed	100% access to Executive Dashboard by the Department's officials on or before 31 March 2011	Phase one of Executive Dashboard completed and accessed by 50% of officials by 31 March 2010.
<p><b>Reasons for variation</b></p> <p>Phase one of the Executive Dashboard completed and accessed by 50% of officials by 31 March 2010 due to the following reason:</p> <ul style="list-style-type: none"> <li>• The Executive Dashboard was only partially completed and therefore access to officials was limited awaiting completion of Phase One that was aimed for April 2010.</li> </ul>				
Sheltered Employment Factories (SEF)	SEF Turn-around Strategy	Support for the SEF and its Turn-around Strategy	Finalised the Strategy by 31 March 2010	The Strategy was finalised by 31 March 2010.

## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

Meet reporting obligations to the ILO in relation to ratified and unratified conventions	ILO questionnaires	Number of ILO questionnaires completed	6 questionnaires to be completed by 30 June 2010	6 Survey Questionnaires were completed before the end of June 2010.
Library Open Day	Marketed Library	Increased usage of the departmental Library	Library Open Day to be celebrated on 25th March 2010	Library Open Day held on 25th March 2010.
Provincial labour market monitoring and information service	Qualified and competent LMIS and P officials	Number of LMIS and P officials trained	At least 10 officials to be trained	10 officials were trained and skills (SPSS, M&E) implemented in the LMIS units.
	Evaluation study on Client Satisfaction Survey	An evaluation study initiated and completed	Complete the evaluation study by 31 March 2010	The evaluation study completed and report produced on 31 March 2010.
<b>Reasons for variances</b> No major variances. Most activities related to the work plan were achieved.				

## **KRA 9: Monitoring the impact on Legislation**

### **Research Policy and Planning**

The Directorate of Research Policy and Planning, within the programme Labour Market Policy is responsible for the management and coordination of the Department-wide Research Agenda which particularly seek to evaluate and measure the impact of labour market interventions made since 1994. In 2005 the need for establishing a centralised coordination of all research projects within the Department was identified. This led to the development of the Department-wide Research, Monitoring and Evaluation (RME) agenda, the first agenda (RME 1) was developed and implemented between 2005/06 and 2008/09. In 2009/10 the second Research, Monitoring and Evaluation Agenda (RME 2) was developed, approved and its implementation will run through 2010/11.

### **Achievements**

**1. Labour Market Review developed and published. Title: "Making the invisible visible".**

**2. The second Research, Monitoring and Evaluation agenda (RME 2) was developed and approved, including the following research themes:**

#### **2.1. Evaluation of the National Skills Development Strategy (NSDS) II.**

The objective of the NSDS research project is to assess and evaluate the progress made in skills development since the implementation of the second phase of the NSDS II in March 2005. Specifically, the project aims to:

- Evaluate the achievement made on the targets set for the NSDS II
- Evaluate the impact made by the NSDS since its inception.

#### **2.2. Client Satisfaction Survey for the Unemployment Insurance Fund.**

The main objective of the research is to look at customer satisfaction regarding the

## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

Unemployment Insurance Fund (UIF) service rendering across all industries and sectors and also to look at how the Fund is delivering and meeting the needs of its clients. Specifically, the study is aimed to broaden understanding of user (both employers and employees) trends, to get UI client opinions about the service they receive and where they would like to see improvements.

#### **2.3. Non-compliance with Unemployment Insurance Fund (UIF) Act.**

The main objective of this project is to investigate compliance with the Unemployment Insurance Act, No. 63 of 2001 by small and medium enterprises in sectors such as the domestic sector, the taxi sector and the catering sector. This study will also look at strategies needed to enforce compliance in the informal sector.

#### **2.4. High OHS risk sectors.**

The overall objective of this study is to investigate the levels of compliance to occupational health and safety (OHS) by companies in various sectors of the economy, identifying those that are at high risk and investigate the reasons for non-compliance. This study will further investigate if the sectors that the Department identified as high risk remain to be high risk in terms of the number of workplace accidents. The other aim of the study is to assess the impact made by the Department from the year 2004 on the identified high risk sectors, which include iron and steel, construction, agriculture, food, drink and beverage and if they had improved their safety and if not reasons for non-compliance need to be established for informing further interventions.

#### **2.5. An assessment of the implementation of Employment Services of South Africa (ESSA).**

The main objectives of the study is to identify the level of function of Employment Services of South Africa (ESSA), to investigate areas where ESSA can be strengthened and directed in line with the original objectives for introducing an Employment Services System in South Africa. In particular, the research project will assess whether or not the implementation of ESSA is heading in the right direction in relation to its original intended objectives. The research will include a component on the background of ESSA linked to the International Labour Organisation conventions. The study will further assess and identify problems that could be affecting the smooth implementation of ESSA, and also do investigation into the overall impact that ESSA has had so far in terms of its two main services (Registration Services and Recruitment and Selection Services).

**3. The following research projects were conducted in 2009/10 seminars, three of which were commissioned one of them was conducted internally and another one conducted in collaboration with the University of Witwatersrand (Wits).**

#### **3.1. Evaluation of Minimum wages and conditions of employment in the Unskilled Labour sector.**

The main objective of the study is to investigate minimum wages and conditions of employment in the Unskilled Labour sector with a view to making a sectoral determination.

#### **3.2. Evaluation of sectoral determinations in addressing the plight of vulnerable workers.**

The main objective of this study is to determine the effectiveness of the work of the Employment Conditions Commission in addressing the plight of vulnerable workers in South Africa. The basis for this study is limited to the sectoral determinations published by the Minister of Labour.

Specifically the study's focus included, but not be limited to:

- (i) How the determinations addressed poverty and exploitation.
- (ii) The impact of these determinations on employment levels.
- (iii) The impact of minimum wages on poverty alleviation.
- (iv) The compliance and enforcement levels within the regulated sector.

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### *Programme 4: Labour Policy & Labour Market Programmes*

#### **3.3. Evaluation of Bargaining Council and Pension Funds.**

This research study aims to assess the effectiveness of provident and pension funds that fall under the jurisdiction of Bargaining Councils. It further investigate these funds with a view to the Social Security Reform initiative of government and the future relationship of Bargaining Council funds to the proposed National Social Security Fund (NSSF).

#### **3.4. Creative Workers Industry.**

This study aims to determine the nature of the employment relationships in the Creative Industries in South Africa; i.e., whether employment contracts exist or independent contractor arrangements are prevalent in the sector.

#### **3.5. Labour Migration in Construction study.**

The study's objective is to look at trends and working conditions of labour migrants in the construction sector within Johannesburg. The study was focused on migrants in construction sites and also those at recruitment spots around Johannesburg.

### ***Labour Market Information Statistics (LMIS)***

The LMIS Directorate plays a critical role in the Department as a whole in terms of generating and collating statistical information to inform the Department's management and public. The LMIS responsibilities include collecting, collating, and disseminating internal and external labour market statistics about changes in the South African labour market that impact on legislation. It is one of the directorates within Labour Market Policy and includes two sub-directorates and provincial offices.

#### **Achievements:**

- High standard and quality briefing reports submitted and approved by the Minister. These briefing reports covered mostly the Quarterly Labour Force Surveys as published by Statistics South Africa. All reports were disseminated to the management of the Department to contribute and inform policy makers in their decisions
- High quality annual labour market reports were produced and published. These include the Annual Labour Market Bulletin, Industrial Action Report and Job Opportunity and Unemployment in the South African Labour Market. In addition, the Biannual Labour Market Report was also produced. Critical inputs and comments were provided to management toward the development of position papers on various labour market issues
- Participated in various SA Statistics Council Meetings where key issues related to economic indicators and labour market statistics were discussed, e.g. Census, labour force survey and others
- The Labour Market Information System was updated and maintained. Information displayed on the intranet
- Provided support for the implementation of the Sheltered Employment Factories (SEF) Turn-around Strategy and the process leading to the development of a SEF Business case
- Successfully consolidated and submitted the annual International Labour Organisation data questionnaire within three weeks before the 30 June 2009 (deadline). This questionnaire includes internal and external data. This means data has to be requested, consolidated, verified and submitted to the ILO on time
- Successfully managed the completion of the Executive Dashboard project – Phase One as per original business requirements and approval from the Department's PSC. The system demo was

## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

presented to management

- A Library Open day was conducted successfully with a high number of officials that visited the Library and more than 50 new books were purchased and shelved
- The Provincial LMIS office's were supported and skills training for staff enhanced
- The evaluation regarding the implementation of the previous Client Satisfaction Survey recommendations was conducted and a report produced.

### **KRA 5: Strengthening Multi-lateral and Bi-lateral Relations**

#### **International Relations**

The International Relations Directorate is at the coalface of the Department's interaction with the world, especially international organisations/institutions relevant to the labour market. It monitors, reports, and facilitates ratification of international labour instruments. The main tasks of the Directorate during the financial year are categorised under three broad areas. These include the ILO, Africa Desk, and Technical Cooperation.

#### **1. ILO**

The ILO desk focused on ensuring that South Africa benefits from ILO technical cooperation resources. It supported increased supervision and implementation of core labour standards as well as ensuring that the decent work agenda remains at the core of our policies. Furthermore, policy cohesion and convergence between the ILO and other multilateral organisations. In the ILO South Africa continued to discharge its leadership role as a member of the Governing Body.

The Department also reports, as per Article 19 and 22 of the ILO Constitution on ratified and unratified Conventions and Recommendations.

The Department sent five officials for a two-year training programme on labour market information and statistics and the programme ended in February 2010. The officials will be placed in different offices in the Department. South Africa is also working with the ILO Pretoria Office and social partners to develop the Decent Work Country Programme which is at an advanced stage. Consultations on work that needs to go into the programme has been completed and the implementation will commence soon.

#### **2. ARLAC**

We continued to actively engage our counterparts from English speaking African countries and the SADC region through our interaction within the **African Regional Labour Administration Centre (ARLAC)**. Our participation and inputs to seminars go a long way in capacitating regional labour administrators. Capacity building of the officials within the Department benefits immensely from the exposure gained through the association with ARLAC.

#### **3. SADC**

The Department hosted the SADC Conference from **30 March – 3 April 2009** in Cape Town which is a key forum through which a number of labour related issues are discussed. The broad aim is to harmonise labour standards in the region.

#### **4. African Union Labour and Social Affairs Commission**

The Department participates in the AU meeting which is held annually. The meeting discusses important issues with a focus on employment creation and poverty reduction. It also serves as a forum where African countries make important decisions in preparation for the discussions at the

## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

International Labour Conference held annually in June in Geneva, Switzerland.

#### **Bilaterals**

Southern African countries share a common destiny and are interdependent; we therefore promoted regional cooperation as a means of maximizing growth and national welfare. The Directorate, within its competency has the responsibility of coordinating the implementation of signed bilaterals with Zimbabwe, Mozambique, Lesotho, Namibia, Germany, China and Cuba. Discussions include the sharing of information on the challenges of creating employment and other issues such as occupational health and safety, employment services, collective bargaining and social dialogue.

The Department also participates in the India – Brazil – South Africa (IBSA) Dialogue Forum which is spearheaded by the Department of International Relations and Cooperation and discussions on the South Africa – OECD relations discourse which is led by National Treasury.

### **Sheltered Employment Factories (SEF)**

#### **Vision**

To establish a national network of factories and factory outlets that contribute to the economic empowerment of people with disabilities ( including ex-combatants) and that support metropolitan, rural and local community organisations and enterprises, where people with disabilities are able to contribute to and be integrated into the nation's economy.

#### **Mission**

To provide employment and training opportunities to people who have been excluded from work as a result of their disability and to support their transition into mainstream employment.

### *SEF Workplan/ 2009/10: Achievements*

<p><b>Governance issues.</b> Manage the factories to be viable and sustainable enterprises/resolve outstanding issues raised by the Auditor-General/ develop and finalise a Business Case for a trading entity</p>	<p>1.We have established governance structures in the form of a SEF Management Committee 2. We have appointed permanent Factory Managers in all 12 factories 3.We have developed a two-year strategic plan to prepare for the Business Case 4. The factories are operating at between 50% to 70% capacity 5. All procedures and policies have been developed and adopted by the SEF/ Department of Labour Management Committee 6. Factory Managers report on a regular basis to Head Office on their targets and weekly activities 7. We have completed the calculation of an inventory and have developed a system to calculate inputs and outputs of production.</p>
<p><b>Creating employment opportunities</b></p>	<p>1. With additional orders from government departments and the agreement with the Department of Labour to procure all furniture from the SEF- we have undertaken to create 500 job opportunities in the next 2010/2011 financial year 2. We are progressing with collaboration with Algeria to look at product diversification 3.We have signed a Service Level Agreement with Productivity SA to collaborate on factory layout, productivity improvements and competitiveness 4. We are collating data on institutions of the Department of Public Works to source new recruits.</p>



## Programme Performance

### *Programme 4: Labour Policy & Labour Market Programmes*

<b>Training and development</b>	1. We have established a fully functional Human Resource Department and currently plans are underway to develop training modules in collaboration with the Textile SETA 2. We have undertaken in-house training on ergonomics in some factories, to also roll out to other factories.
<b>Contribution to the National Integrated Disability Strategy</b>	1. We have had meetings with the Minister of Public Works 2. Women and children plans are underway for factory visits.
<b>Product development and innovation</b>	A project is currently in the planning phase to introduce new products in the furniture division as a response to market demands/ this will roll out in the 2nd quarter of 2010.

## **Programme Performance**

### *Programme 5: Social Insurance*

#### ***Programme 5: Social Insurance***

Social Insurance provides for the compensation of civil servants in cases of accidents or illnesses sustained while on duty through the Compensation Fund. It also contributes to the Unemployment Insurance Fund when necessary.

Both the Compensation Fund and the Unemployment Insurance Fund publish their own Annual Reports in terms of the Public Finance Management Act.

# Programme Performance

*National Skills Fund*

## Performance Information for the year ending 31 March 2010

*Achievements against the NSDS 2005-2011 for the period 1 April 2009 to 31 March 2010 and cumulative progress*

NSDS objective	Key performance indicator	Target (2009/10)	Performance results (2009/10)	Reason for variance	Cumulative 2005-2010
1. Prioritising and communicating critical skills for sustainable growth, development and equity	NSDS Success Indicator 1.2: Information on critical skills is widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners		The National Master Scarce Skills List for South Africa 2009 not updated and printed during 2009 and no Skills Conference was held in 2009  NSF funding for this purpose was provided in the NSF budget and available. No funding was requested	No funding was requested from the NSF for training of career guidance counsellors.	N/A
2. Promoting and accelerating quality training for all in the workplace	<b>NSDS Success Indicator 2.6:</b> From April 2005 to March 2011 there are an annually increasing number of people who benefit from incentivised training for employment or re-employment in new investments and expansion initiatives  Training equity targets achieved. Of number trained, 100% to be SA citizens.	Process all applications and claims received within the timeframes and prescripts as agreed in the memorandum of understanding. <b>10%</b> increase on previous year's beneficiary numbers achieved	1. Workplace Skills Development Support Programme (WSDSP)  New workers received training – 3 783 (2007/08 – 2 368 2008/09 – 2 083) – more than 10% increase compared to previous year  Total No. of workers trained during 2009/10 – 4 558 (2007/08 – 3 374; 2008/09 – 6 156)  Equity: Black – 96%; Female – 55%; People with disabilities – 0,05%. All were SA Citizens. 28 SMEs benefited Total expenditure – R12,1 million		Total new workers benefiting since April 2005 – 14 731.  Total SMEs enterprises that have benefitted since 2005 – 111.  Total amount of training grants paid – R100,3 million.

# Programme Performance

*National Skills Fund*

NSDS objective	Key performance indicator	Target (2009/10)	Performance results (2009/10)	Reason for variance	Cumulative 2005-2010
			<p>2. BPO&amp;O Training Grant</p> <p>11 training grant applications were processed and adjudicated by the BPO&amp;O Adjudication Committee – Value total R76,4 million and 11 605 agents to benefit). Four applications were terminated by the DTI</p> <p>New workers received training – 1 401 (2008/09 - 152) – more than 10% increase compared to previous year</p> <p>4 investors benefited Total expenditure – R4,98 million</p> <p>A further payment of R1,06 million is pending, i.e. certificates issued to DTI to pay 1 company for the training done – i.2. 257 call centre agents trained. DTI has not yet recovered the amount from NSF</p>		<p>Total people actual benefitted – 1 553.</p> <p>Total investors that have benefitted to date – 5.</p> <p>Total amount of training grants paid – R6 577 707.</p> <p>To date R 121,35 million training grants committed over a 3-year period. In total 20 705 new workers are targeted to benefit.</p> <p>Monyetla Workreadiness Pilot for BPO&amp;O agents [completed during 2008/09]</p> <p>Learners benefiting – 1307.</p> <p>Learners who completed training - 1 129 (60 credits skills programme).</p> <p>Number employed (of those completed training) - 1 016 (90%)</p>

# Programme Performance

*National Skills Fund*

NSDS objective	Key performance indicator	Target (2009/10)	Performance results (2009/10)	Reason for variance	Cumulative 2005-2010
3. Promoting employability and sustainable livelihoods through skills development	NSDS Success Indicator 3.1: By March 2010, at least <b>450 000</b> unemployed people are trained. This training should incrementally be quality assured and by March 2010 no less than 25% of the people undergo accredited training. Of those trained at least <b>70%</b> should be <b>placed</b> in employment, self-employment or social development programmes including EPWP, or should be engaged in further studies. Placement categories each to be defined, measured, reported and sustainability assessed	Provide budget for the SDFW in line with the 5-year NSDS target  (90 000 unemployed people are trained of which 26% receive accredited training, with 70% placement)	Target on NSF providing funding – achieved.  Approved budget made available for SDFW was: R845 million Revised budget as at 16 Sept. 2009: R652 million of which R75million was spent  <b>1. Training facilitated by Department's Provincial Offices:</b> Total number of unemployed people trained – 11 928 Placed (of those trained) – 6 933 (58%)  <b>2. Training under the Strategic Projects Programme</b> A total of 11 487 benefited from various skills programmes  Contract allocations - April 2009 to 31 October 2009 – <b>R123 710 912</b> EPWP: Training contracts awarded to the amount of R26,8 million to train 14 807 unemployed for EPWP-projects (forms part of the numbers indicated above)	1. New procedures for procurement of training providers proved challenging for provincial offices of Department leading to slow uptake of training contracts.  2. The Presidential decision during 2009 to move skills development functions (including the NSF) to the new Ministry of Higher Education and Training necessitate temporary halting of training initiatives from 1 November 2009 pending clarification of accountability for the NSF and its activities between the two departments	<b>Impact from 1 April 2005 (NSDS):</b> Total unemployed people trained under SDFW – 350 342 plus Monyetla learners 1 129 = 351 471 (78,1% of 450 000 target).  Placed (of those trained) – SDFW 232 939 plus Monyetla 1 016 = 233 955 (66,5%).  Accredited training - 22% (average over 4 years).

# Programme Performance

*National Skills Fund*

NSDS objective	Key performance indicator	Target (2009/10)	Performance results (2009/10)	Reason for variance	Cumulative 2005-2010
	<p><b>NSDS Success Indicator 3.2:</b> By March 2010, at least 2 000 non-levy paying enterprises, NGOs, CBOs and Community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate</p>	<p>The NSF target – at least 400 Small BEE SMMEs and cooperatives receive skills development support by March 2010.</p>	<p>Target not fully achieved</p> <p><b>NSF contribution:</b> 387 Small Community Based Co-ops across all provinces 5 570 Co-ops workers benefited from the skills support interventions</p> <p>Impact of support on sustainability not yet measured – projects commenced in 2007/08 and completed in 2009/10</p> <p>A further pipeline project to benefit 6 127 people from 411 CBOs is in the final stages of approval and will be rolled out in the 2010/11 financial year</p>	<p>3 memorandums of agreement affecting 33 targeted co-operatives were cancelled due to non-compliance to memorandum of agreement conditions and miss-management</p>	<p><b>387</b> community-based co-operatives across all provinces.</p> <p><b>5 570</b> learners (Community Based Co-operative workers) benefited through skills development.</p>
	<p><b>NSDS Success Indicator 3.3:</b> By March 2010, at least 100 000 unemployed people have participated in ABET level programmes of which at least 70% have achieved ABET level four</p>	<p>Targeted skills development programmes achieved:</p> <ul style="list-style-type: none"> <li>• 40 000 ABET learners registered by March 2010</li> <li>• At least 20 000 ABET learners registered complete programmes by March 2010</li> </ul>	<p>A total of 56 669 learners were registered for ABET programmes</p> <p>A total of 44 803 ABET learners registered completed the programme/s</p>		<p>Total ABET learners registered – 109 984</p> <p>Total ABET learners registered completed programmes – 71 997</p>
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	<p><b>NSDS Success Indicator 4.1:</b> By March 2010 at least 125 000 unemployed people assisted to enter and at least 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills</p>	<ul style="list-style-type: none"> <li>• 26 000 unemployed learners enter learning programmes in learnerships, apprenticeships, internships, bursaries and skills programmes</li> <li>• At least 13 000 unemployed enrolled on scarce and critical skills complete programmes</li> </ul>	<p>20 331 unemployed people were assisted to enter learning programmes under the Critical Skills and Strategic Projects Programme of the NSF</p> <p>10 767 people completed programmes</p>	<p>Due to the duration of the learning programmes it was not possible to complete them within a year</p> <p>The NSDS target is shared with SETAS</p>	

# Programme Performance

## National Skills Fund

NSDS objective	Key performance indicator	Target (2009/10)	Performance results (2009/10)	Reason for variance	Cumulative 2005-2010
	Impact of assistance measured [Joint target of NSF and SETAs]	<ul style="list-style-type: none"> <li>Funding of bursaries in scarce skills: - <b>7 000</b> undergraduate bursaries awarded - <b>1 700</b> post-graduate bursaries awarded. [ENE 2009 target]</li> <li><b>2 000</b> learners in critical skills are placed for experience locally and internationally</li> </ul>	<p>Bursaries: A total of R154,4 million has been disbursed to date to support <b>3 598</b> undergraduate bursaries and <b>1 088</b> post graduate bursaries</p> <p>A further 1 096 undergraduate bursaries were supported under the Strategic Projects Programme to bring a total of 4 694 undergraduate bursaries supported during the year</p> <p>Training Lay-off Scheme The Training Layoff Scheme was allocated R1.2 billion of which only R10.8 million was spent to benefit 2 399 workers</p>	<p>Bursary targets could not be met due to budgetary constraints</p> <p>The projected numbers of retrenchments did not materialise owing to the economic crisis abating thus leading to a lower demand of the Training Layoff Scheme</p>	
5. Improving the quality and relevance of provision	<p><b>NSDS Success Indicator 5.4:</b> By March 2010, there is an NSA constituency based assessment of an improvement in stakeholder capacity and commitment to the National Skills Development Strategy</p>	Funds allocated to constituencies for training in accordance with contract and implementation monitored	<p>R40 million was made available in the 2009/10 NSF Budget. This was reduced to R10 million in the NSF revised budget approved on 2 October 2009</p> <p>All 8 of the approved projects were concluded (commenced May 2008) Final payments to the amount of R852 000 was made</p> <p>Commenced with the process of obtaining agreement and approval to start requesting a second round of applications from NSA constituency organisations for the capacity development of members in skills development</p>	The transfer of the skills development functions to the new Ministry of Higher Education and Training delayed the process of tabling the second round of criteria and guidelines to the NSA for consideration. This was only done during March 2010	<p>6 765 people benefited from this capacity building process.</p> <p>Total spent – R13 047 158</p>

# **Section 3**

## **Report of the Audit Committee**



## Report of the Audit Committee

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2010.

#### **Audit Committee Members and attendance**

The Audit Committee consists of the members listed hereunder and should meet at least three times per annum as per its approved terms of reference. During the current year seven meetings were held.

<b>Name of Member</b>	<b>Number of meetings attended</b>
Ms. MM Mahlabe (Chairperson)	7
Mr. NK Mlamla	6
Mr. K Buthelezi	7
Mr. TS Mageza	6

#### **Audit Committee responsibility**

We report that we have adopted appropriate formal terms of reference in our Charter in line with the requirements of section 38(1)(a) of the Public Finance Management Act, No 1 of 1999 and Treasury Regulation 3.1. We further report that we conducted our affairs in compliance with this Charter.

#### **Effectiveness of internal control**

##### **Department of Labour**

The system of internal control was not entirely effective for the year under review. Several deficiencies in the system of internal control and deviations there-from were reported by the internal auditors and the Auditor-General of South Africa. We noted with serious concern that despite several assurances from management that the assets issue (with particular emphasis on Siemens), and performance information was receiving attention. The asset issue has resulted in a qualification and there were a number of findings on performance information. The Audit Committee has tasked management to prepare a comprehensive plan, with clear deliverable, timelines, and responsible officials who will be attending to these matters. This plan should be presented to the Audit Committee within four weeks from the date of the Auditor-General's report.

##### **National Skills Fund**

The system of internal control was not entirely effective for the year under review. Several deficiencies in the system of internal control and deviations there-from were reported by the internal auditors and the Auditor-General of South Africa.

##### **Sheltered Employment Factories**

There is a clear collapse of the system of internal control. The deficiencies identified by the Auditor-General are major and they need urgent attention from management. What is clear from this organisation is that there was poor leadership guidance/management throughout the year. This resulted in the breakdown of systems of internal controls and dependence on consultants to perform management functions. We have tasked management to submit a comprehensive plan to address all the findings from the Auditor-General's report.

The system of internal control was not entirely effective for the year under review. Minor deficiencies in the system of internal control and deviations there-from were reported by the internal auditors and the Auditor-General South Africa.

## Report of the Audit Committee

### ***The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA.***

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Acting Accounting Officer of the Department during the year under review.

### ***Evaluation of Financial Statements***

We have:

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General of South Africa and the Acting Accounting Officer
- Reviewed the Auditor-General of South Africa's management report and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed the Department's compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted, read together with the report of the Auditor-General of South Africa.

### ***Internal Audit***

We are to an extent satisfied that the internal audit function has addressed the risks pertinent to the Department in its audits.

We are still concerned regarding the lack of capacity to perform Performance and Information Technology audits and staff capacity to cover all the Provincial Offices.

### ***Auditor-General of South Africa***

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues. We are worried that management stated that what the Auditor-General of South Africa raised to us as the Audit Committee was not "clearly" raised to them.

### ***Audit Committee's additional comments***

The Audit Committee has noted with concern the issues raised in the report of the Auditor-General. The Audit Committee has tasked management to prepare a comprehensive plan to indicate how the Department will address the issues and report progress regularly to the Committee. Management has embarked on the process of addressing these issues with immediate effect.

These include inter alia:

- Verification of performance information against the Department's business plan and Branch business plans
- Physical verification of assets against the asset register.

The delays in receiving management comments on internal and external audit reports have been noted by the Audit Committee and management has made a commitment to address these shortcomings. Thus far, this has still not changed and we are hoping that soon it will improve.



**Chairperson of the Audit Committee**  
Date: 30 July 2010

# **Section 4**

## **Annual Financial Statements**

## Annual Financial Statements

*Department of Labour - Vote 15*

*Annual Financial Statements for the year ended 31 March 2010*

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# Annual Financial Statements

*Department of Labour - Vote 15*  
*Report of the Auditor-General for the year ended 31 March 2010*

## **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE NO.15 : DEPARTMENT OF LABOUR FOR THE YEAR ENDED 31 MARCH 2010**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the accompanying financial statements of the Department of Labour, which comprise the appropriation statement, the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages 92 to 167.

#### **The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis for qualified opinion**

##### **Public Private Partnership (PPP: IT) assets**

7. We could not obtain adequate assurance relating to the valuation, existence and completeness of the PPP assets amounting to R144 628 000 as per note 27 to the financial statements due to the following discrepancies:

## Annual Financial Statements

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- A difference amounting to R14 277 000 was noted between the closing balance per the PPP asset register and the tangible assets as per note 27 to the financial statements. The department could not provide a reconciliation of the asset register to the amount disclosed in the financial statements.
- The IT assets register was not adequately maintained in accordance with the requirements of National Treasury as a result of the following:
  - Assets amounting to R37 126 651 did not have purchase dates;
  - The asset register did not indicate the physical location of further assets amounting to R16 131 870 and it was therefore not possible to verify these assets.

### Qualified Opinion

8. In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the department of Labour as at 31 March 2010 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting and in the manner required by the PFMA.

### Emphasis of matter

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

### Basis of accounting

9. The department of Labour policy is to prepare financial statements on modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

### Contingent asset

10. With reference to note 18.2 to the financial statements, the Department is claiming a refund of R5 020 000 from a service provider relating to an overpayment of unitary fees in the current year. At the date of this report the service provider was still reviewing the revised unitary fee calculation and has not yet acknowledged the overpayment. At the date of this report, recovery of this amount was uncertain.

### Matters important to the users of the financial statements.

#### Unauthorised / fruitless and wasteful / irregular expenditure

11. The Department of Labour incurred irregular expenditure worth R3 392 125 as disclosed in note 24 to the financial statement due to the following reasons:
- Payments were made to a supplier after the contract had expired.
  - Correct procurement procedures were not followed.
  - Inspectors' posts were upgraded to a higher level even though they did not meet the satisfactory rating as stipulated in the performance policy and no prior approval was obtained from the Minister.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA.

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## Findings

### Predetermined objectives

#### 13. Non compliance with regulatory and reporting requirements

- The Department of Labour did not comply with Treasury Regulations 5.3.1 with regard to establishing procedures for quarterly reporting to the executive authority and facilitating effective performance monitoring, evaluation and corrective action. Audit work performed revealed that there was no evidence of signature on the Quarterly Management Report's (QMR) to confirm and validate that reviews were done on the QMRs by the executive manager of the service delivery and employment and skills development service/HR development programme
- The strategic plan did not form the basis for reporting on performance information in the annual reports of the accounting officer as required by Treasury Regulations 5.4.2
- The annual report did not fairly present the state of affairs of the department and its performance against predetermined objectives as required by section 40(3) (a) of the PFMA

#### 14. Presentation of reported performance information

- The reported performance information for the Service Delivery programme in the annual report is not presented in a simple, accessible format, relevant and useful to the intended user, and in accordance with the requirements of Treasury Regulation 18 and the relevant guidance applicable to reporting for the financial year end.

#### 15. Usefulness of reported performance information

- The department of Labour has not reported on all the predetermined objectives, as required by section 40(3) (a) of the PFMA and Treasury Regulations 5.2.4 and 18.3.1.
- The measurable objectives/indicators as per the annual report for the service delivery programme were not consistent with the indicators as per the approved strategic plan.

### Compliance with laws and regulations

Included below are the findings related to material non compliance with the acts as indicated.

### Non adherence to requirements

#### 16. Public Finance Management Act (PFMA)

The Department of Labour did not comply with the following legislative requirements as required by the PFMA:

- The accounting officer of the Department of Labour did not take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse as required by section 38(1) (d) of the PFMA
- The employment contract of an accounting officer for the department did not include the provisions of section 38 to 42 of the PFMA as required by section 36(5) of the PFMA.
- The accounting officer did not keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards as required by section 40(1)(a) as requested supporting documentations could be provided for audit purpose.
- The accounting officer did not take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses from criminal conduct as required by section 38(1) (c) of the PFMA.

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### 17. Treasury Regulation

The Department of Labour did not comply with the following legislative requirements as required by Treasury Regulations:

- The accounting officer did not ensure that the department maintains a minor assets register that is in compliance with the National Treasury format as a material number of minor assets did not reflect their physical locations and bar codes.
- The accounting officer did not ensure that a risk assessment is conducted regularly to identify emerging risks of the institution as required by Treasury Regulation 3.2.1 as the risk assessment was performed in September 2009 which is six months into the financial year.
- The internal audit function did not prepare, in consultation with and for approval by the audit committee; a quarterly report to the audit committee detailing its performance against the annual internal audit plan, to allow effective monitoring and possible intervention as required by Treasury Regulations 3.2.7
- The accounting officer of an institution did not ensure that internal procedures and internal control measures are in place for payment approval and processing. These internal controls should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported as required by Treasury Regulations 8.1.1.
- The accounting officer of an institution did not take effective and appropriate steps to timeously collect all money due to the institution including, as necessary; maintain proper accounts and records of all debtors, including amounts received in part payment; and referral of a matter to the State Attorney, where economical, to consider legal demand and possible legal proceedings in a Court of law as required by Treasury Regulation 11.2.1.
- The Department of Labour did not ensure that all payments due to creditors are settled within 30 days from receipt of an invoice as required by section 8.2.3 of the Treasury Regulation.

### 18. Public Service Act and Public Service Regulation

The Department of Labour did not comply with the following legislative requirements as required by the Public Service Act and Public Service Regulation:

- The Department of Labour did not have an approved Human Resource (HR) plan as required by the Public Service Regulations (PSR) Chapter 1, Part III D.

### INTERNAL CONTROL

19. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

#### • Leadership

The accounting officer did not exercise oversight responsibility over financial reporting and internal control to ensure that financial information and predetermined objectives reported were accurate, complete, existed and are in compliance with the required laws and legislations.

Management did not take adequate actions to address risks relating to the achievement of complete and accurate financial reporting due to lack of review and monitoring functions over the PPP asset register and disclosure notes to the financial statements.



# Annual Financial Statements

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- **Financial and performance management**

Financial information supporting the amounts disclosed in the financial statements submitted on the 31 May 2010 for the PPP assets were not prepared timely to allow for sufficient review activities by management and as a result material differences were identified between amounts disclosed in the financial statements and supporting schedules.

Subsequently management resubmitted another PPP IT asset disclosure note and supporting schedules on the 15th of June 2010 and material differences were still identified between the schedules and amounts disclosed in the financial statements.

Reporting on predetermined objectives was not adequately reviewed and monitored by senior management for completeness, accuracy and compliance with laws and regulations prior to submission for audit.

- **Governance**

The internal audit did not provide adequate review function over internal controls at the Department of Labour. There was lack of ongoing monitoring and supervision to enable an assessment of the effectiveness of internal control over financial and performance reporting.

As a result, we identified a number of internal control weaknesses which were not identified and corrected by the internal audit.

## OTHER REPORTS

### Investigations

#### Investigations in progress

20. Subsequent to year-end the Department of Higher Education and Training instituted an investigation into the alleged internal control deficiencies and possible override of controls at INDLELA. INDLELA is a programme within the Department of Labour until 31 March 2010 and was subsequently transferred to the newly formed Department of Higher Education and Training from 1 April 2010. At the date of this report the investigation was still underway.

#### Investigations completed during the financial year

21. During the year the Department of Labour concluded an investigation into allegations of fraudulent payments amounting to R981 450 which occurred in the 2008/09 financial year. The Department managed to recover R142 404 from the account that was used to deposit the fraudulent payments. Disciplinary procedures against the two employees who were implicated by the forensic investigation have since been finalised against one of the employees.

*Auditor-General*

Pretoria  
31 July 2010



*Auditing to build public confidence*

## Annual Financial Statements

*Department of Labour - Vote 15  
Report of the Accounting Officer for the year ended 31 March 2010*

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

#### **1. General review of the state of financial affairs**

The Department of Labour aims to reduce unemployment, poverty and inequality, through 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; as well as nurturing the culture of acceptance that worker rights are human rights.

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

Since 2008, the Department of Labour has been adjusting its outlook to focus on employment services and inspection and enforcement services. With the assistance of the International Labour Organisation, the Department has begun with a restructuring project to realign the Department's structure with this vision. This process was also informed by the national macro reorganisation of the State announced by the President following the April 2009 elections. The President signed a proclamation transferring the Skills Development Programme from the Department of Labour to the Department of Higher Education and Training with effect from 1 November 2009, which led to the reorganisation of the Department of Labour. In particular: Programme 2, Service Delivery, which comprised the Inspection and Enforcement Services, Employment Services and Management Support Services; the Employment Services sub-programme has moved to form Programme 3, which has been renamed Public Employment Services; and the Management Support Services sub-programme (the administration unit in provincial offices and labour centres) has moved to Programme 1, Administration, with only the inspection and enforcement services sub-programme remaining in Programme 2, which has been renamed Inspection and Enforcement Services. The proclamation came into effect on 1 November 2009, but the transfer took place on 1 April 2010.

As the Department operates actively at both the micro and macro levels of the labour market, its contribution to developing a sustainable economy will be through the regulation of the South African labour market by: developing appropriate legislation and regulations; protecting human rights in the labour sphere; providing employment services; ensuring the compliance, monitoring and enforcement of labour legislation; and promoting equity, social dialogue, and social and income protection.

#### **Strategic priorities**

##### **Public Employment Services**

The reorganisation of the Department, which was completed in November 2009, has resulted in the creation of a new programme, Public Employment Services. This programme's main objective is to facilitate the entry and re-entry of job-seekers into the labour market by finding the most suitable employees to meet employer needs. The programme is also responsible for overseeing the development of a public employment service policy and the relevant legislation that will make provision for the establishment of public employment services and the Employment Services Board. The policy will also provide for the integrated employment information system, with its database, to regulate private employment agencies, to advise on available skills in the labour market and on the employment of non-citizens and related matters. The Public Employment Service Bill will provide for amendments to the current Skills Development Act (1998) and the Unemployment Insurance Act (2001). The Bill will be fully developed and finalised by September 2010.

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## **Decent Work Country Programme**

The Decent Work Country Programme, in collaboration with the International Labour Organisation and in consultation with social partners, will only be finalised by April 2010 as the tripartite consultations between government, trade unions and employers at the National Economic Development and Labour Council (NEDLAC) are taking longer than anticipated. The main goal of the programme is to promote opportunities for people to obtain decent and productive work in conditions of freedom, equity, security and human dignity. The four pillars of the Decent Work agenda are: fundamental principles and rights at work and international labour standards; employment and income opportunities; social dialogue and tripartism (collaboration between government, trade unions and employers); and social protection and social security.

## **Inspection and enforcement services**

The purpose of the inspection and enforcement services is to promote good labour practices. The restructuring of the Department of Labour's inspection and enforcement services is aimed at addressing existing shortcomings in the structure both at the national and provincial level, to effectively meet the labour practice challenges facing the country. Professionalising the inspectorate, providing a customer centric service and improved compliance are the three critical pillars of the Department's strategic approach, and will be achieved by implementing the proposed service delivery model and structural changes. The core principle of each pillar is: professionalising the inspectorate in the context of the inspection and enforcement services means inspectors who are educated and well trained, engaged in continuous inquiry to understand the profession better, committed to lifelong learning and development, and linked to a career path; customer centric service means integrated service delivery with service package developments dictated by customer needs; and improved compliance means focusing on the strategic weak links of the enforcement mechanisms and identifying the appropriate intervention plan and rationalising the enforcement policies to promote consistency, thus creating a conducive environment for improved compliance at the enterprise level.

Over the medium term, the Department will also continue to strengthen its inspection and enforcement services to improve employers' and employees' compliance with all labour legislation by reviewing related labour policy and legislation, including the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act (1998), and the Occupational Health and Safety Act (1993).

## **Spending trends**

Expenditure grew from R1.3 billion in 2006/07 to R1.4 billion in 2007/08, R1.7 billion in 2008/09 and to R1.7 billion in 2009/10, at an average annual rate of 8.4%. This was mainly due to spending on compensation of employees, which grew at an average annual rate of 13.3%, from R435.4 million to R632.6 million, as a result of increased salary adjustments in 2007/08 and 2009/10. From 2007/08 to 2010/11, additional funds were allocated for the decentralisation of functions to provincial offices for appointing career counsellors and for upgrading labour inspectors' salaries.

Expenditure is expected to grow to R1.9 billion over the MTEF period, at a much slower average annual rate of 4.4%, due to the transfer of the skills function to the Department of Higher Education and Training.

The 2010 Budget provides additional allocations over the MTEF period of R57 million, R46.6 million and R49.2 million, mainly for:

- The Commission for Conciliation, Mediation and Arbitration (R34 million, R19.7 million and R20 million) for increased caseload and personnel inflation adjustments
- Personnel inflation adjustments in the Department (R23 million, R26.8 million and R29.1 million).

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## Infrastructure spending

Spending on infrastructure decreased at an average annual rate of 52.7%, from R12.2 million in 2006/07 to R2.7 million in 2008/09, as construction projects were in the site identification process and funds were only spent on consultants. Expenditure increased in 2009/10 as the construction of labour centres in the following locations were registered with the Department of Public Works: Bochum, Jane Furse, Lebowakgomo, Taung, Temba, Bronkhorstspuit, Garankuwa, Rustenburg, Mount Ayliff, Mamelodi, Khayelitsha, Worcester, Somerset West, Beaufort West, Vredenburg and Lusikisiki. These sites are at various stages of development, with the Rustenburg and Mount Ayliff projects in the tender phase and the Taung project expected to be ready for tender in 2010/11.

Several renovation and maintenance projects for sheltered employment factories were registered by the Department of Public Works, with funding for these amounting to R17.3 million in 2010/11 and R27.3 million in 2011/12. The tender process has begun for two of these projects (Kimberley and Silverton factories) and bids will be awarded in early 2010.

## Virement

1. Programme: Administration	Adjusted appropriation R'000	Shifting of funds R'000	Final virement R'000	Final appropriation R'000	Actual expenditure R'000
Current payments	385 936	(4 646)	(2 687)	378 603	407 846
Transfers and subsidies	569	-	1 259	1 828	1 828
Expenditure for capital assets	2 150	-	37 415	39 565	10 322

## Shifting of funds between Programmes (Approved by National Treasury)

- R4,6 million was shifted from compensation of employees to the Programme: LP&LMP of which R1,2 million was towards the Sheltered Employment Factories and R3,4 million towards the CCMA.

## Final virement (Approved by the Director-General)

- R5,280 million was vired from the Programme: Administration (Compensation of Employees) to the Programme: Service Delivery
- R3,852 million vired from the Programme: LP&LMP (goods and services) to the Programme: Administration
- R1,000 vired from Compensation of Employees to the item: Provinces and Municipalities
- R1,259 million vired from Compensation of Employees to the item: Households within the Branch
- R37,415 million on capital assets vired from the Programme: Service Delivery of which R8,277 million was from the item: Machinery and Equipment and R29 138 million from the item: Buildings and other fixed structures.

## Reason for over-spending

The over-expenditure was caused by an invoice for leases on buildings from the Department of Public Works (DPW), that was R30 million over the budgeted amount. There were delays experienced with commencement of capital projects from DPW.

# Annual Financial Statements

*Department of Labour - Vote 15*  
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<b>2. Programme: Service Delivery</b>	Adjusted appropriation R'000	Shifting of funds R'000	Final virement R'000	Final appropriation R'000	Actual expenditure R'000
Current payments	747 779	(55 615)	9 816	701 980	701 980
Transfers and subsidies	1 373	-	670	2 043	1 888
Expenditure for capital assets	35 571	12 000	(39 006)	8 565	6 500

### Shifting of funds between Programmes (Approved by National Treasury)

- R55,6 million was vired from Compensation of Employees of which R16,7 million was towards the Sheltered Employment Factories, R21,3 million towards the CCMA as well as R5,5 million from goods and services.
- The remaining R12,0 million was shifted to the item: Machinery and equipment towards the purchasing of vehicles to address transportation constraints raised by inspectors.

### Final virement (Approved by the Director-General)

- R5,280 million shifted from the Programme: Administration: Compensation of Employees to this programme
- R456,000 shifted from the Programme: LP&LMP Compensation of Employees to this programme
- R1,591 million shifted from the Programme: ESDS/HRD: Compensation of Employees to this programme
- R3,159 million shifted from the Programme: LP&LMP Goods and Services to this programme
- R625,000 shifted from the item: Goods and Services to the item: Households and R45,000 to the item: Public Corporations and Private Enterprises
- R39,006 million regarding Capital Assets shifted from this programme of which R8,277 million was from the item: Machinery and Equipment, R29,138 million from the item: Buildings and other fixed structures to that of Programme: Administration; R1,591 million to ESDS/HRD: Machinery and Equipment.

- **Reason for under-spending**

Delays experienced with procurement processes caused under-spending on procurement of furniture.

<b>3. Programme: Employment and Skills Development Services / Human Resource Development</b>	Adjusted appropriation R'000	Shifting of funds R'000	Final virement R'000	Final appropriation R'000	Actual expenditure R'000
Current payments	93 185	-	(1 670)	91 515	76 268
Transfers and subsidies	305 677	-	79	305 756	305 756
Expenditure for capital assets	8 088	-	1 591	9 679	8 620

### Final virement (Approved by the Director-General)

- R1,670 million vired from this Programme (Compensation of Employees) of which R1,591 million was to the Programme: Service Delivery and R79 000 towards the item: Households
- R1,591 million vired from the Programme: Service Delivery to this Programme's item: Machinery and Equipment.

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### • Reason for under-spending

The reason for under-spending is mainly due to the delay of the implementation of the function transfer to the Quality Council for Trade and Occupation (QCTO).

<b>4. Programme: Labour Policy and Labour Market Programmes</b>	Adjusted appropriation R'000	Shifting of funds R'000	Final virement R'000	Final appropriation R'000	Actual expenditure R'000
Current payments	78 079	(6 689)	(7 546)	63 844	59 247
Transfers and subsidies	422 735	54 950	79	477 764	477 087
Expenditure for capital assets	165	-	-	165	103

### Shifting of funds between Programmes (Approved by National Treasury)

- R1,2 million was vired from the Programme: Administration (Compensation of Employees) towards the Sheltered Employment Factories and R3,4 million towards the CCMA. R55,6 million was vired from the Programme: Service Delivery, of which R16,7 million was towards the Sheltered Employment Factories and R26,8 million towards the CCMA
- R1,689 million from the item: Compensation of Employees towards the CCMA
- R5,0 million shifted from Goods and Services towards NEDLAC.

### Final virement (Approved by the Director-General)

- R3,852 million was vired from Goods and Services to the Programme: Administration
- R535 000 was vired from Compensation of Employees of which R79 000 was towards the item: Households and R456 000 to the Programme: Service Delivery
- R3,159 million was vired from Goods and Services to the Programme: Service Delivery.

### • Reason for under-spending

The under-spending is mainly due to a high number of posts vacated during the financial year.

<b>5. Programme: Social Insurance</b>	Adjusted appropriation R'000	Shifting of funds R'000	Final virement R'000	Final appropriation R'000	Actual expenditure R'000
Current payments	-	-	-	-	-
Transfers and subsidies	8 977	-	-	8 977	6 013
Expenditure for capital assets	-	-	-	-	-

### • Reason for under-spending

Under-spending mainly due to less than anticipated claims received on behalf of public servants injured on duty.

### Impact on programmes and service delivery

**The under- or over-spending did not impact on programmes and service delivery.**

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## **Actions taken or planned to avoid recurrence**

Regarding the over-spending which was caused by the leasing of buildings from the Department of Public Works (DPW), the budget has been consolidated, and will be managed under one unit in order to fast track liaison with DPW.

## **Unauthorised, fruitless and wasteful expenditure**

Irregular expenditure to the amount of R 716 000 which was incurred in the 2008/09 financial year and disclosed in note 24 of the 2009/10 Annual Financial Statements has been condoned by the Accounting Officer in terms of National Treasury Practice Note No. 4 of 2008.

Irregular expenditure to the amount of R 3 392 000 was incurred in the 2009/10 financial year of which R 914 328.51 has been condoned by the Accounting Officer during the 2010/11 financial year.

## **Any other material matter – Soccer World Cup clothing and tickets**

The Department did not incur any expenditure regarding this matter during the 2009/10 financial year. In the 2010/11 financial year the Department committed to spend an amount of R63 000 for communication purposes of the 2010 Soccer World Cup.

## **2. Services rendered by the Department**

### **2.1 List of services rendered:**

#### **Programme 1: Administration**

Conduct the overall management of the Department and provide strategic support and advisory services.

#### **Programme 2: Service Delivery**

Implement and monitor Department of Labour's policies and programmes at provincial offices and labour centres.

#### **Programme 3: Employment and Skills Development Services/Human Resource Development**

Contribute to employment creation and skills development by promoting and monitoring the achievement of the objectives of the National Skills Development Strategy and the National Human Resource Development Strategy.

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

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 statistical data on the labour market, including providing support to the institutions that promote social dialogue.

#### **Programme 5: Social Insurance**

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

### **2.2 Tariff policy:**

Tariffs for services rendered at INDLELA were approved by National Treasury.

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### 3. Capacity constraints

The Department implemented control procedures to improve recruitment processes.

The reasons why staff leave the Department are established through exit interviews and in most cases, these are related to better remuneration elsewhere. As previously reported, the Department adopted a policy on career management and retention in an attempt to curb the high turnover rate of staff.

### 4. Utilisation of donor funds

None

### 5. Public entities

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

- Commission for Conciliation, Mediation and Arbitration (CCMA)
- Compensation Fund (CF)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Sector Education and Training Authorities (SETAs)
- Unemployment Insurance Fund (UIF)
- Umsobomvu Youth Fund (UYF).

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

The CCMA 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 on the procedure to follow in respect of a dispute in terms of this Act
- Assist a party to obtain legal advice, assistance or representation in respect of a dispute
- Offer to resolve a dispute that has not been referred to the Commission through conciliation
- Conduct, oversee or scrutinise any election or ballot of a registered trade union or registered employers' organisation if requested to do so
- Publish guidelines in relation to any matter dealt with in this Act
- Conduct and publish research into matters relevant to its functions
- Provide, upon request, to workers, employers, registered trade unions, registered employers' organisations, federations of trade unions, federations of employers' organisations or councils with advice on training relating to the primary objects of the Labour Relations Act (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.



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### Compensation Fund (CF)

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 workers in the course of their 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 the Council are to:

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

Furthermore, and to achieve the above, the Council:

- May investigate 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 economic policy
- May conduct research into social and economic policy
- Shall work in close co-operation 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.

### Productivity South Africa (PSA)

The PSA is a section 21 Company (Incorporated association without gain), established under the Companies Act, 1973, but has now been registered as a Schedule 3 public entity still with the following functions:

- To promote a culture of productivity in workplaces
- To develop relevant productivity competencies
- To facilitate and evaluate productivity improvement and competitiveness in workplaces
- To measure and evaluate productivity in the workplace
- To maintain a data-base of productivity and competitiveness systems and publicising these systems
- To undertake productivity-related research
- To support initiatives aimed at preventing job losses.

### Sector Education and Training Authorities (SETAs)

A total of 23 SETAs were established for a period of 60 months in terms of section 9 of the Skills Development Act, 1998. With effect from 1 November 2009 the function was transferred to the Minister of Higher Education and Training [DHET]. The National Skills Development Strategy (NSDS) II and SETA licenses were extended by one year from March 2010 to March 2011 by DHET, in order

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to allow them time to assess the SETA landscape, and design the architecture of the NSDS III in line with the new administration's strategic objectives.

### The SETAs are as follows:

- Banking Sector Education and Training Authority [BANKSETA]
- Chemical Industries Education and Training Authority [CHIETA]
- Clothing, Textiles, Footwear and Leather Sector Education and Training Authority [CTFL]
- Construction Education and Training Authority [CETA]
- Safety and Security Sector Education and Training [SASSETA]
- Education, Training and Development Practices Sector Education and Training Authority [ETDP]
- Energy Sector Education and Training Authority [ESETA]
- Financial and Accounting Services Training Authority [FASSET]
- Food and Beverages Manufacturing Industry Sector Education and Training Authority [FOODBEV]
- Forest Industries Sector Education and Training Authority [FIETA]
- Health and Welfare Sector Education and Training Authority [HWSETA]
- Information Systems, Electronics and Telecommunications Technologies Training Authority [ISETT]
- Insurance Sector Education and Training Authority. [INSETA]
- Local Government, Water and Related Services Sector Education and Training Authority [LGSETA]
- Manufacturing, Engineering and Related Services Sector Education and Training Authority [MERSETA]
- Media, Advertising, Publishing, Printing and Packaging Training Authority [MAPPP]
- Mining Sector Education and Training Authority [MQA]
- Agriculture Sector Education and Training Authority [AGRISETA]
- Public Sector Education and Training Authority [PSETA]
- Services Sector Education and Training Authority [SERVICES]
- Tourism and Hospitality Education and Training Authority [THETA]
- Transport Education and Training Authority [TETA]
- Wholesale and Retail Sector Education and Training Authority [WRSETA].

The functions of the SETAs are regulated in terms of the Skills Development Act, 1998, Skills Development Levies Act, 1999, Public Finance Management, 1999, and include inter alia the following:

- 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
- Any other functions as required in terms of their approved constitution.

### Unemployment Insurance Fund (UIF)

The UIF was established under section 4 of the Unemployment Insurance Act (Act No. 63 of 2001), administered by the Director-General of Labour, to provide for the payment from the Fund of unemployment benefits to certain employees, and for the payment of illness, maternity, adoption and dependants' benefits related to the unemployment of such employees.

The UIF collects and receives revenue contributions under the Unemployment Insurance Contributions Act, 2002, administered by the Commissioner of the South African Revenue Service.

The UIF strives to contribute to the alleviation of poverty in South Africa by providing effective

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short-term unemployment insurance to all workers who qualify for unemployment and related benefits.

The central purpose and role of the Unemployment Insurance Fund is defined as:

- Rendering an effective and accessible service to all stakeholders
- Being a sustainable organisation with sufficient reserves.

### Umsobomvu Youth Fund (UYF)

The UYF was established in 2001 to implement development programmes that would enhance young people's ability to access employment and self-employment opportunities. In addition, UYF programmes seek to engage young people in community development through volunteerism. To this end, the UYF developed products and services which were responsive to the needs of young people. The UYF's choice of products and services were informed by key national priorities such as the Accelerated Shared Growth Initiative of South Africa (ASGI-SA), the National Youth Development Policy and Framework, the Expanded Public Works Programme (EPWP), the Human Resource Development Strategy (HRDS), the National Skills Development Strategy (NSDS), the South African Qualifications Act (SAQA Act) and the Black Economic Empowerment Act (BEEA).

The UYF was incorporated into the National Youth Commission on 16 June 2009, which now forms part of the Office of the Presidency.

### Interventions

To move young people from being unskilled and unemployed to a stage where they can access sustainable livelihoods, the UYF developed certain forms of interventions which informed its strategy, as well as the products and services. These products fall within the following categories: provision of information and advice, provision of skills, training and community service, business development support and access to finance.

### Other entities

#### National Skills Fund (NSF)

The 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 determined 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
- Funds appropriated by Parliament for the Fund
- Interest earned on investments
- Donations to the Fund
- Funds received from any other source.

The National Skills Authority (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 primary objective of the NSF 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 the afore mentioned clause of the Act, allows the Department to take into account other government policy/priority imperatives in the allocation

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of these funds. These might include the HRD Strategy, growth, employment and investment strategies and social development priorities.

The National Skills Fund is not yet listed as a public entity but a Business Case to determine the legal framework to become an entity has been drafted, still pending approval. The NSF has been transferred to the Department of Higher Education and Training (DHET) in terms of the Presidential Declaration. The NSF now reports to the DHET as from 1 April 2010.

### Sheltered Employment Factories (SEFs)

The SEFs were established in 1943 to provide employment for war veterans. During 1953 people with mental and physical disabilities that prevented them from entering the open labour market due to the nature of their afflictions, were included. Of the 1 040 factory workers currently employed, some 80% are mentally challenged. The factories have operated without enabling legislation since inception, except for a Cabinet Memorandum, written in 1956. There are currently 12 factories across the country in seven provinces. Income for the factories is generated from sales of manufactured goods ranging from wood and metal furniture, hospital commodities, linen, bedding, protective clothing, garments, upholstery, bookbinding and screen printing.

The business case for the Sheltered Employment Factories has been prepared to determine the legal framework to become a public entity within the Department. In future the programme will report to the newly created Branch: Public Employment Services.

**Comparative information: Funds transferred to the SETAs and the NSF. (See Note 7 Transfers and subsidies for comparative amounts of other entities. Please note that all entities publish annual reports).**

	2008/09 R'000	2009/10 R'000
FASSET	R 200 738	R 176 050
BANKSETA	R 321 286	R 328 699
CHIETA	R 237 084	R 267 177
CTFL	R 62 225	R 60 464
CETA	R 302 701	R 333 926
ETDP	R 168 323	R 199 198
ESETA	R 124 431	R 146 843
FOODBEV	R 141 783	R 182 020
FIETA	R 69 745	R 120 838
HWSETA	R 159 264	R 115 618
ISETT	R 320 671	R 254 851
INSETA	R 186 929	R 295 312
LGSETA	R 210 083	R 233 267
MAPPP	R 158 406	R 209 011
MQA	R 502 270	R 635 208
MERSETA	R 712 149	R 415 045
SASSETA	R 118 329	R 361 776
AGRISETA	R 144 206	R 71 362
PSETA	R 2 052	R 71 786
SERVICES	R 724 225	R 796 177
THETA	R 141 714	R 156 968
TETA	R 336 322	R 346 008
WRSETA	R 442 371	R 474 841
NSF – Invested at PIC	R 1 446 827	R 1 563 111
	<b>R 7 234 134</b>	<b>R 7 815 556</b>

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### 6. Organisations to whom transfer payments have been made – (See Annexure 1 of the Financial Statements)

### 7. Public/Private Partnerships (PPP)

Disclosed in note 27 of the Annual Financial Statements

The Information Technology Public Private, Partnership Agreement (IT PPP) was concluded and implemented on 1 December 2002, aimed at providing an IT enablement to the Department as well as the Unemployment Insurance- and Compensation Funds, for a period of 10 years.

### 8. Corporate governance arrangements

#### 8.1 Governance structures and responsibilities

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

Management is compliant with and guided by, among others, the provisions of the PFMA, other legislation and Corporate Governance Principles outlined in the King II Report. The King III Report brings about added compliance requirements that moving forward in the 2010/11 financial year, the Department will embrace and comply to these requirements.

#### 8.2 Risk management

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

During the period under review, a risk management strategy and policies were developed. The focus for 2010/11 is on proper implementation. A Strategic Risk Assessment workshop was conducted in order to identify an array of risks that the Department is exposed to. A comprehensive operational risk assessment exercise was conducted with all Branches within the Department. Line managers and subordinates participated in identifying, assessing and developing plans to mitigate significant risks that could negatively affect the achievement of the set objectives. As a result of this, risk profiles were developed and presented to management of various sections. On the basis that the Department has major transitional changes, the strategic risk reviews will be done in the first quarter of the next financial year.

#### 8.3 Management of conflict

There is a process to minimise conflict of interest within the Department. All Senior Managers are expected to declare their business interests annually. The other officials have to follow the disclosure mechanisms if they have remunerative work outside the public service.

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### 8.4 Fraud prevention

The Department has a formalised Fraud Prevention Plan to prevent and detect fraudulent activities and to protect assets and other resources from any dishonest and unethical conduct. The Fraud Prevention Plan ensures that the Department addresses all fraud related cases and manage fraud risks effectively. In responding to the new development in the public sphere, the Fraud Prevention Strategy/Plan has been reviewed. Fraud awareness campaigns were conducted with various sections within the Department.

### 8.5 Oversight structures

The Provincial Risk Management Committees were established in the 2008/09 financial year and has been operating since. An evaluation was done regarding the effectiveness of these committees towards year end, and a number of improvements were identified. These improvements will be effected in the 2010/11 financial year and annually the committees will be subjected to such evaluations.

A need was identified to establish a National Risk Committee. The committee will oversee the implementation of the risk management system in the Department at national level.

The Minister in consultation with the Accounting Officer has appointed members to the Audit Committee for the Department and Audit Committees for the Unemployment Insurance Fund (UIF) and Compensation Fund (CF).

The Department's Audit Committee consists of:

- Ms. MM Mahlabe: Independent Non-executive Chairperson
- Mr. TS Mageza: Independent Non-executive member
- Mr. NK Mlamla: The Chairperson of the UIF Audit Committee (independent non-executive)
- Mr. K Buthelezi: The Chairperson of the CF Audit Committee (independent non-executive).

The following people are permanent invitees:

- Director-General
- Deputy Director-General of Corporate Services
- Deputy Director-General of Service Delivery
- Deputy Director-General of LP and LMP
- Deputy Director-General of ESDS
- Chief Financial Officer
- Unemployment Insurance Commissioner
- Compensation Commissioner
- Senior Executive Manager: National Skills Fund
- CEO of the Sheltered Employment Factories
- Head of Internal Audit
- Representatives of the Auditor-General
- Representative of National Treasury.

### 8.6 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 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.

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Internal Audit undertakes requests for special investigations received from all levels of management of the Department and the Audit Committee.

### 9. Discontinued activities/activities to be discontinued

No activities discontinued for the 2009/10 Financial Year.

The macro re-organisation of the State and the subsequent Presidential Proclamation to transfer Skills Development from the Department of Labour to the Department of Higher Education and Training with effect from 1 November 2009, had financial implications and given effect to the reduction of the Vote's Budget and assets for the Medium Term Expenditure Framework by R166 million in 2010/11, R184, 9 million in 2011/12 and R190, 8 million in 2012/13 financial years.

With the same proclamation, the Direct Charges (Levies for SETAs and the NSF) amounting to R8,4 billion in 2010/11, R9,1 billion in 2011/12 and R9,6 billion in 2012/13 were also transferred to the Department of Higher Education and Training.

### 10. New/proposed activities

No new activities for the 2009/10 Financial Year.

### 11. Asset Management

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

Assets owned by the Department of Labour within all provincial offices, labour centres and visiting points are bar-coded. The Department adopted an asset management policy for the control, accounting, maintenance and disposal of all assets.

11.2 Indication of the extent of compliance with asset management reforms (AMR) milestones:

- Asset registers are in the process to be updated in order to meet the minimum requirements as set out by National Treasury
- Disposal and Asset Management Policies are in place.

11.3 An Asset Management Unit was established at Head Office. National asset verification is performed on all assets at Head Office, INDLELA and the Provinces. The Integrated ASSET Management Solution (IAMS) system has been rolled out to INDLELA and the Provinces. Major asset registers for all 12 stores are in place in accordance with the National Treasury guidelines. The following milestones within the 2009/10 financial year were:

- Capturing and linking assets to life cycles
- BAS reconciliation to asset register
- Clearing of the LOGIS ledger (duplicate ledgers)
- Asset acquisition plan
- Asset operations and maintenance plan.

### 12. Events after the reporting date.

The Department reviewed the performance of the organisation in order to improve its effectiveness and improve service delivery.

After the Department reviewed the performance of the organisation, a decision was taken to embark on a project to reposition the Department, to develop a business model and review the

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organisational structure and design, in line with its mandate to effectively deliver on its core business of Inspection and Enforcement Services and Employment Services.

The Department's budget structure for the 2010/11 financial year was reflected as follows:

Programme 1: Administration (Remains unchanged)

Programme 2: Inspection and Enforcement Services (IES).

This function is being elevated as a Main Division of the Vote in the place of the current Service Delivery Main Division.

Programme 3: Public Employment Services (PES).

This function has been elevated as a Main Division of the Vote in the place of the current Employment and Skills Development Services/Human Resource Development (ESDS/HRD) Main Division. The Employment and Skills Development Services and Human Resource Development are in a process of being transferred to the Department of Higher Education and Training in line with the macro organisational realignment.

Programme 4: Labour Policy and Labour Market Programmes (LP&LMP) (Remains unchanged).

Programme 5: Social Insurance.

Social Insurance moves to Programme 3: Public Employment Services (PES), as a sub-programme.

### 13. Performance information

Quarterly monitoring (QMR) of performance of the organisation functions as follows:

- Information on the QMR is derived from the annual work plans which link-up with the ENE performance measures (Target date, quarter and indicator)
- Progress is reported on the specific indicators within a specific quarter.

Level reporting exists as follows:

- Subdirectorates combine their reports into a Directorate report
- Directorates combine their reports into a Programme report
- Programme reports are combined into Branch reports
- Branch reports are combined to form the QMR.

The above mentioned reports are discussed at senior official level and at the Mid-Term Review workshop. The Mid-Term Review workshop is attended by the Minister and the senior management of the Department and monitors the first six months of the organisation's work plan. Any needs for changes in the plan are then communicated and amendments are effected accordingly.

The Minister and Senior Executive Managers attend the Annual Review and Planning workshop to evaluate and discuss the entire year's performance. The outcome of the annual review workshop is utilised as reporting information in the annual report.



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## 14. SCOPA resolutions

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
19 <sup>th</sup> SCOPA Report, dated 11 March 2008.	<b>1. Fixed assets</b>	<p>a) The following have been achieved thus far to ensure that the asset register is maintained:</p> <ul style="list-style-type: none"> <li>(i) Discrepancies identified are being continuously addressed with Provincial Offices and INDLELA</li> <li>(ii) Monthly monitoring reports (BAS, Logis reports and asset register) have been implemented to ensure that the closing balances of the asset register reconcile to month end system reports</li> <li>(iii) New additions of assets are captured timeously on the asset register</li> <li>(iv) Monthly capturing and updating of the asset register for disposals are done</li> <li>(v) Asset verification has been finalised</li> <li>(vi) An asset management plan for the 2009/10 financial year was implemented to address the weaknesses identified and continued until financial year end to verify effectiveness.</li> <li>(vii) Head Office provides support to provincial offices and consolidates an asset register for the entire Department, while provincial offices maintain their respective asset registers.</li> <li>(viii) The Department noted the recommendation that adequate resources need to be made available to continuously monitor the accuracy and completeness of the fixed asset register. Each Provincial Office has identified official(s) dedicated for asset management responsibilities.</li> </ul>
19 <sup>th</sup> SCOPA Report, dated 11 March 2008.	<b>2. Vacancies</b>	The Department is in the process to fill all vacancies as soon as possible.
19 <sup>th</sup> SCOPA Report, dated 11 March 2008.	<b>3. Leave entitlement</b>	<p>The Department implemented the following measures to deal with the administration of leave:</p> <ul style="list-style-type: none"> <li>• The reconciliation of leave is done monthly</li> <li>• Leave auditing is conducted regularly to ensure there are no discrepancies</li> <li>• All members of staff are sensitised through circulars about their obligation with regard to leave administration.</li> </ul>

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Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
19 <sup>th</sup> SCOPA Report, dated 11 March 2008.	<b>4. Receivables</b>	<p>The following control measures are followed when writing off debt:</p> <p>(1) Debts are written off only when all reasonable steps have been taken to recover the debt and the debt is irrecoverable, or,</p> <p>(2) The Department is convinced that –</p> <ul style="list-style-type: none"> <li>• recovery of the debt would be uneconomical</li> <li>• recovery would cause undue hardship to the debtor or his or her dependants; or</li> <li>• it would be to the advantage of the State to effect a settlement of its claim or to waive the claim.</li> </ul> <p>(3) The Department ensures that all debts written off are done in accordance with the debt management policy.</p> <p>(4) All debts written off are disclosed in the Annual Financial Statements, indicating the policy in terms of which the debt was written off.</p>
19 <sup>th</sup> SCOPA Report, dated 11 March 2008.	<b>5. General</b> a) The monitoring of suspense accounts; and b) Inadequate remuneration policies.	a) Suspense accounts are being monitored on an ongoing basis. This action has been completed. b) Remuneration policies have now been included in the Financial Management Policies and Procedure Manual. This action has been completed.
19 <sup>th</sup> SCOPA Report, dated 11 March 2008.	<b>6. Quarterly progress reports submitted to Parliament.</b>	Reports are provided quarterly to SCOPA

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## 15. Prior modifications to audit reports

Audit report and important matters in the management report for the 2008/09 financial year:

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Action plan	Progress status
<b>Assets – Qualification</b>		
Discrepancies between BAS/ LOGIS reconciliation and asset registers  Financial year in which it first arose: 2005/06	<ul style="list-style-type: none"> <li>Establish an Asset Management Unit (AMU)</li> </ul>	<ul style="list-style-type: none"> <li>The AMU was fully capacitated in September 2009.</li> </ul>
	<ul style="list-style-type: none"> <li>Address capacity for asset management in the provinces.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment approved for the provinces</li> <li>Provinces in the process of filling vacancies.</li> </ul>
	<ul style="list-style-type: none"> <li>Asset policy is being reviewed to clearly define:               <ul style="list-style-type: none"> <li>Major Assets i.e. Tangible and Intangible (specific inclusions)</li> <li>Minor Assets (specific exclusions)</li> <li>IT Assets.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Definitions defined for minor assets i.e. to exclude consumables/inventory.</li> </ul>
	<ul style="list-style-type: none"> <li>Asset classes are being corrected on the LOGIS System i.e. Major Assets, Minor Assets and IT Assets in line with definitions on the reviewed policy at Head Office.</li> </ul>	<ul style="list-style-type: none"> <li>The AMU is reviewing the asset registers (major/minor) for errors.</li> <li>Reconciliation of the BAS/ LOGIS systems and asset register resulted in identification of discrepancies which are subsequently corrected.</li> </ul>
	<ul style="list-style-type: none"> <li>Incorrect prices of similar items acquired in the provinces are being corrected on the LOGIS System across all classifications for Head Office and provincial offices.</li> </ul>	<ul style="list-style-type: none"> <li>The AMU is reviewing the asset registers (major/minor) for errors</li> </ul>
	<ul style="list-style-type: none"> <li>Asset information recorded in the LOGIS System is compared to information on BAS System and the Integrated Assets Management System (IAMS) at Head Office.</li> </ul>	<ul style="list-style-type: none"> <li>Completed</li> </ul>
	<ul style="list-style-type: none"> <li>Linking of Unique Identification Number (Bar-codes) to Item Control Number (ICN) allocated by LOGIS System for Head Office and provincial offices.</li> </ul>	<ul style="list-style-type: none"> <li>The AMU is reviewing the asset registers (major/minor) for errors.</li> </ul>
	<ul style="list-style-type: none"> <li>Assets verification exercise to ensure that physical assets correspond to the assets recorded in the accounting systems for Head Office and provincial offices.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
	<ul style="list-style-type: none"> <li>Updating of the asset register with inconsistencies noted during the assets verification results for Head Office and Provincial Offices.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>

# Annual Financial Statements

Department of Labour - Vote 15

Report of the Accounting Officer for the year ended 31 March 2010

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Action plan	Progress status
<b>Assets – Qualification</b>		
Discrepancies between BAS/LOGIS reconciliation and asset registers	<ul style="list-style-type: none"> <li>Reconciliation of the balances of the fixed assets for the prior 3 years i.e. 2006/07, 2007/08 and 2008/09.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
Financial year in which it first arose: 2005/06	<ul style="list-style-type: none"> <li>All supporting documentation for the acquisition, disposal and transfer of assets is maintained.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly acquisitions, disposals and transfers of assets are reported.</li> </ul>
	<ul style="list-style-type: none"> <li>Raise awareness and provide training to officials involved in the management of assets.</li> </ul>	<ul style="list-style-type: none"> <li>Training of officials involved in the management of assets has been conducted.</li> </ul>
Supporting documentation for minor asset register not provided.	<ul style="list-style-type: none"> <li>All supporting documentation for the acquisition, disposals and transfers of assets is maintained.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly acquisitions, disposals and transfers of assets are reported.</li> </ul>
<b>IT Assets (Siemens PPP)</b>		
PPP additions amount per invoice does not agree to the amount in the asset register.	<ul style="list-style-type: none"> <li>Determination of categories of IT assets i.e. servers, network equipment, laptops, and printers.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
	<ul style="list-style-type: none"> <li>Allocation of IT assets and related amounts to different categories of IT Assets.</li> </ul>	<ul style="list-style-type: none"> <li>Costs have been allocated to various IT systems developed by the PPP partner.</li> </ul>
	<ul style="list-style-type: none"> <li>Request monthly movement of the categories of assets from our PPP partner with supporting documentation to update the IT asset register.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
	<ul style="list-style-type: none"> <li>The following field would be added to the asset registers: <ul style="list-style-type: none"> <li>Carrying value adjustment.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>IT asset register has been updated to include the carrying value adjustment column.</li> </ul>
	<ul style="list-style-type: none"> <li>Determination of number of intangible assets for the Department and allocate costs to the relevant assets.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
<b>Other matters</b>		
Fraud prevention plan not approved.	<ul style="list-style-type: none"> <li>Review and finalise the existing fraud prevention plan and present it to management for approval.</li> </ul>	<ul style="list-style-type: none"> <li>The Department has reviewed the existing fraud prevention plan</li> <li>The approved Plan has been provided to the Office of the Auditor-General</li> </ul>
Financial year in which it first arose: 2008/09.		
No control over reporting of performance information.	<ul style="list-style-type: none"> <li>Develop guidelines for monitoring performance.</li> </ul>	<ul style="list-style-type: none"> <li>1st Draft finalised and distributed for comment.</li> </ul>
	<ul style="list-style-type: none"> <li>Establish policies and procedures relating to performance information.</li> </ul>	<ul style="list-style-type: none"> <li>1st Draft finalised and distributed for comment.</li> </ul>
	<ul style="list-style-type: none"> <li>Monthly monitoring of implementation by Branches.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly performance assessment will ensure compliance with new policy and guidelines.</li> </ul>

## Annual Financial Statements

*Department of Labour - Vote 15  
Report of the Accounting Officer for the year ended 31 March 2010*

### 16. Exemptions and deviations received from the National Treasury

None.

### 17. Other

None.

### 18. Approval

The Annual Financial Statements have been approved by the Accounting Officer.



Sam Morotoba  
Acting Director-General of Labour

Date: 30 July 2010

## Annual Financial Statements

Department of Labour - Vote 15  
*Appropriation Statement for the year ended 31 March 2010*

Appropriation per programme									
2009/10								2008/09	
Appropriation Statement	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>									
Current payments	385 936	(4 646)	(2 687)	378 603	407 846	(29 243)	107.7%	378 252	366 951
Transfers and subsidies	569	-	1 259	1 828	1 828	-	100.0%	1 711	1 711
Payment for capital assets	2 150	-	37 415	39 565	10 322	29 243	26.1%	4 244	4 244
<b>2. Service Delivery</b>									
Current payments	747 779	(55 615)	9 816	701 980	701 980	-	100.0%	670 343	614 336
Transfers and subsidies	1 373	-	670	2 043	1 888	155	92.4%	2 683	2 572
Payment for capital assets	35 571	12 000	(39 006)	8 565	6 500	2 065	75.9%	29 305	4 442
<b>3. Employment and Skills Development Services / HRD</b>									
Current payments	93 185	-	(1 670)	91 515	76 268	15 247	83.3%	79 583	76 117
Transfers and subsidies	305 677	-	79	305 756	305 756	-	100.0%	93 287	93 287
Payment for capital assets	8 088	-	1 591	9 679	8 620	1 059	89.1%	5 595	3 085
<b>4. Labour Policy and Labour Market Programmes</b>									
Current payments	78 079	(6 689)	(7 546)	63 844	59 247	4 597	92.8%	66 219	63 916
Transfers and subsidies	422 735	54 950	79	477 764	477 087	677	99.9%	405 462	405 462
Payment for capital assets	165	-	-	165	103	62	62.4%	421	352
<b>5. Social Insurance</b>									
Transfers and subsidies	8 977	-	-	8 977	6 013	2 964	67.0%	10 501	6 366
<b>Subtotal</b>	<b>2 090 284</b>		<b>-</b>	<b>2 090 284</b>	<b>2 063 458</b>	<b>26 826</b>	<b>98.7%</b>	<b>1 747 606</b>	<b>1 642 841</b>
<b>Statutory appropriation</b>									
Transfers and subsidies	7 749 980	-	65 576	7 815 556	7 815 556	-	100.0%	7 234 135	7 234 135
<b>Total</b>	<b>9 840 264</b>	<b>-</b>	<b>65 576</b>	<b>9 905 840</b>	<b>9 879 014</b>	<b>26 826</b>	<b>99.7%</b>	<b>8 981 741</b>	<b>8 876 976</b>
<b>Reconciliation with statement of financial performance</b>									
<b>ADD Departmental receipts</b>				12 916				28 863	
<b>Actual amounts per statement of financial performance (total revenue)</b>				<b>9 918 756</b>				<b>9 010 604</b>	
<b>Actual amounts per statement of financial performance (total expenditure)</b>					<b>9 879 014</b>				<b>8 876 976</b>

# Annual Financial Statements

Department of Labour - Vote 15  
Appropriation Statement for the year ended 31 March 2010

Appropriation per economic classification									
2009/10								2008/09	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	698 848	(56 450)	(1 934)	640 464	633 941	6 523	99.0%	577 470	541 427
Goods and services	606 131	(10 500)	(670)	594 961	610 883	(15 922)	102.7%	612 675	575 641
Financial transactions in assets and liabilities	-	-	517	517	517	-	100.0%	4 252	4 252
<b>Transfers and subsidies</b>									
Provinces and municipalities	-	-	1	1	1	-	100.0%	-	-
Departmental agencies and accounts	440 195	37 000	-	477 195	474 231	2 964	99.4%	390 160	386 025
Foreign governments and international organisations	9 295	-	-	9 295	8 618	677	92.7%	10 377	10 377
Public corporations and private enterprises	227 250	-	575	227 825	227 825	-	100.0%	5 080	5 080
Non-profit institutions	60 522	17 950	-	78 472	78 317	155	99.8%	103 388	103 277
Households	2 069	-	1 511	3 580	3 580	-	100.0%	3 433	3 433
Gifts and donations	-	-	-	-	-	-	-	1 206	1 206
<b>Payments for capital assets</b>									
Buildings and other fixed structures	32 363	-	(1 138)	31 225	2 087	29 138	6.7%	27 310	3 367
Machinery and equipment	13 611	12 000	1 133	26 744	23 453	3 291	87.7%	12 255	8 756
Software and other intangible assets	-	-	5	5	5	-	100.0%	-	-
<b>Total</b>	<b>2 090 284</b>	<b>-</b>	<b>-</b>	<b>2 090 284</b>	<b>2 063 458</b>	<b>26 826</b>	<b>98.7%</b>	<b>1 747 606</b>	<b>1 642 841</b>

Statutory Appropriation									
2009/10								2008/09	
Direct changes against the National/ Provincial Revenue Fund	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)	6 199 984	-	52 461	6 252 445	6 252 445	-	100.0%	5 787 308	5 787 308
National Skills Fund	1 549 996	-	13 115	1 563 111	1 563 111	-	100.0%	1 446 827	1 446 827
<b>Total</b>	<b>7 749 980</b>	<b>-</b>	<b>65 576</b>	<b>7 815 556</b>	<b>7 815 556</b>	<b>-</b>	<b>100.0%</b>	<b>7 234 135</b>	<b>7 234 135</b>

# Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Details per Subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Corporate Services</b>									
Current payments	176 582	(2 660)	(3 905)	170 017	170 017	-	100.0%	175 055	175 054
Transfers and subsidies	530	-	1 243	1 773	1 773	-	100.0%	183	183
Payment for capital assets	445	-	(124)	321	321	-	100.0%	431	431
<b>1.2 Financial Management</b>									
Current payments	69 581	(1 986)	2 125	69 720	69 720	-	100.0%	76 654	74 409
Transfers and subsidies	39	-	15	54	54	-	100.0%	1 528	1 528
Payment for capital assets	1 521	-	37 531	39 052	9 809	29 243	25.1%	3 246	3 246
<b>1.3 Management</b>									
Current payments	28 259	-	(951)	27 308	27 308	-	100.0%	26 557	21 505
Transfers and subsidies	-	-	1	1	1	-	100.0%	-	-
Payment for capital assets	184	-	8	192	192	-	100.0%	567	567
<b>1.4 Minister</b>									
Current payments	1 709	-	44	1 753	1 753	-	100.0%	1 612	1 584
<b>1.5 Property Management</b>									
Current payments	109 805	-	-	109 805	139 048	(29 243)	126.6%	98 374	94 399
<b>Total</b>	<b>388 655</b>	<b>(4 646)</b>	<b>35 987</b>	<b>419 996</b>	<b>419 996</b>	<b>-</b>	<b>100.0%</b>	<b>384 207</b>	<b>372 906</b>



# Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Programme 1 per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	81 032	(4 646)	(7 056)	69 330	69 330	-	100.0%	61 481	59 156
Goods and services	304 904	-	3 852	308 756	337 999	(29 243)	109.5%	312 519	303 543
Financial transactions in assets and liabilities	-	-	517	517	517	-	100.0%	4 252	4 252
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	-	-	1	1	1	-	100.0%	-	-
Public corporations and private enterprises	-	-	530	530	530	-	100.0%	-	-
Households	569	-	728	1 297	1 297	-	100.0%	505	505
Gifts and donations	-	-	-	-	-	-	-	1 206	1 206
<b>Payment for capital assets</b>									
Buildings and other fixed structures	-	-	29 138	29 138	-	29 138	-	34	34
Machinery and equipment	2 150	-	8 277	10 427	10 322	105	99.0%	4 210	4 210
<b>Total</b>	<b>388 655</b>	<b>(4 646)</b>	<b>35 987</b>	<b>419 996</b>	<b>419 996</b>	<b>-</b>	<b>100.0%</b>	<b>384 207</b>	<b>372 906</b>

## Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Beneficiary Services</b>									
Current payments	1	-	(1)	-	-	-	-	1	-
<b>2.2 Employment Services</b>									
Current payments	157 280	(9 617)	459	148 122	148 122	-	100.0%	160 985	143 383
Transfers and subsidies	828	-	94	922	767	155	83.2%	1 089	978
Payment for capital assets	70	-	53	123	123	-	100.0%	142	142
<b>2.3 Inspection and Enforcement Services</b>									
Current payments	288 549	(26 412)	5 992	268 129	268 129	-	100.0%	264 532	236 086
Transfers and subsidies	186	-	249	435	435	-	100.0%	1 107	1 107
Payment for capital assets	75	-	(53)	22	17	5	77.3%	27	27
<b>2.4 Labour Market Information and Statistics</b>									
Current payments	21 971	(2 504)	(1 025)	18 442	18 442	-	100.0%	19 741	18 374
Transfers and subsidies	-	-	42	42	42	-	100.0%	-	-
Payment for capital assets	59	-	10	69	69	-	100.0%	10	8
<b>2.5 Management Support Services</b>									
Current payments	249 363	(9 692)	6 147	245 818	245 818	-	100.0%	200 678	194 643
Transfers and subsidies	359	-	285	644	644	-	100.0%	487	487
Payment for capital assets	35 317	12 000	(39 006)	8 311	6 291	2 020	75.7%	29 028	4 167
<b>2.6 Occupational Health and Safety</b>									
Current payments	30 615	(7 390)	(1 756)	21 469	21 469	-	100.0%	24 406	21 850
Payment for capital assets	50	-	(10)	40	-	40	-	98	98
<b>Total</b>	<b>784 723</b>	<b>(43 615)</b>	<b>(28 520)</b>	<b>712 588</b>	<b>710 368</b>	<b>2 220</b>	<b>99.7%</b>	<b>702 331</b>	<b>621 350</b>

# Annual Financial Statements

*Department of Labour Vote 15*  
*Detail per Programme for the year ended 31 March 2010*

2009/10								2008/09	
Programme 2 per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	515 981	(50 115)	7 327	473 193	473 193	-	100.0%	433 197	401 289
Goods and services	231 798	(5 500)	2 489	228 787	228 787	-	100.0%	237 146	213 047
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	-	-	45	45	45	-	100.0%	-	-
Non-profit institutions	643	-	-	643	488	155	75.9%	612	501
Households	730	-	625	1 355	1 355	-	100.0%	2 071	2 071
<b>Payment for capital assets</b>									
Buildings and other fixed structures	29 363	-	(29 138)	225	225	-	100.0%	26 276	2 690
Machinery and equipment	6 208	12 000	(9 873)	8 335	6 270	2 065	75.2%	3 029	1 752
Software and other intangible assets	-	-	5	5	5	-	100.0%	-	-
<b>Total</b>	<b>784 723</b>	<b>(43 615)</b>	<b>(28 520)</b>	<b>712 588</b>	<b>710 368</b>	<b>2 220</b>	<b>99.7%</b>	<b>702 331</b>	<b>621 350</b>

## Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>3.1 INDLELA</b>									
Current payments	48 248	-	2 977	51 225	47 805	3 420	93.3%	43 372	43 307
Transfers and subsidies	-	-	79	79	79	-	100.0%	120	120
Payment for capital assets	8 088	-	507	8 595	8 595	-	100.0%	4 844	2 727
<b>3.2 NSA Secretariat</b>									
Current payments	3 486	-	564	4 050	3 472	578	85.7%	3 989	3 744
Payment for capital assets	-	-	25	25	25	-	100.0%	262	168
<b>3.3 NSF Administration and Transfers</b>									
Current payments	1 334	-	(412)	922	922	-	100.0%	981	718
Transfers and subsidies	48 951	-	-	48 951	48 951	-	100.0%	46 949	46 949
Payment for capital assets	-	-	-	-	-	-	-	69	69
<b>3.4 Productivity SA</b>									
Transfers and subsidies	29 476	-	-	29 476	29 476	-	100.0%	41 138	41 138
<b>3.5 Programme Management Support</b>									
Current payments	6 540	-	105	6 645	6 308	337	94.9%	5 602	5 575
Payment for capital assets	-	-	-	-	-	-	-	230	46
<b>3.6 Quality Development and Promotion</b>									
Current payments	13 836	-	(3 313)	10 523	1 282	9 241	12.2%	3 125	1 795
Payment for capital assets	-	-	-	-	-	-	-	50	-
<b>3.7 SETA Coordination</b>									
Current payments	18 741	-	(1 591)	17 150	15 583	1 567	90.9%	20 361	18 825
Payment for capital assets	-	-	1 059	1 059	-	1 059	-	140	75
<b>3.8 Training of Staff</b>									
Current payments	1 000	-	-	1 000	896	104	89.6%	2 153	2 153
<b>3.9 Umsobomvu Youth Fund</b>									
Transfers and subsidies	227 250	-	-	227 250	227 250	-	100.0%	5 080	5 080
<b>Total</b>	<b>406 950</b>	<b>-</b>	<b>-</b>	<b>406 950</b>	<b>390 644</b>	<b>16 306</b>	<b>96.0%</b>	<b>178 465</b>	<b>172 489</b>

# Annual Financial Statements

*Department of Labour Vote 15*  
*Detail per Programme for the year ended 31 March 2010*

2009/10								2008/09	
Programme 3 economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	62 420	-	(1 670)	60 750	54 227	6 523	89.3%	47 982	46 172
Goods and services	30 765	-	-	30 765	22 041	8 724	71.6%	31 601	29 945
<b>Transfers and subsidies to:</b>									
Departmental agencies and accounts	78 427	-	-	78 427	78 427	-	100.0%	88 087	88 087
Public corporations and private enterprises	227 250	-	-	227 250	227 250	-	100.0%	5 080	5 080
Households	-	-	79	79	79	-	100.0%	120	120
<b>Payment for capital assets</b>									
Buildings and other fixed structures	3 000	-	(1 138)	1 862	1 862	-	100.0%	1 000	643
Machinery and equipment	5 088	-	2 729	7 817	6 758	1 059	86.5%	4 595	2 442
<b>Total</b>	<b>406 950</b>	<b>-</b>	<b>-</b>	<b>406 950</b>	<b>390 644</b>	<b>16 306</b>	<b>96.0%</b>	<b>178 465</b>	<b>172 489</b>

## Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Collective Bargaining</b>									
Current payments	11 114	(337)	(1 252)	9 525	9 525	-	100.0%	8 608	8 608
Transfers and subsidies	-	-	-	-	-	-	-	713	713
Payment for capital assets	-	-	-	-	-	-	-	11	-
<b>4.2 Commission for Conciliation, Mediation and Arbitration</b>									
Transfers and subsidies	324 442	32 000	-	356 442	356 442	-	100.0%	261 710	261 710
<b>4.3 Employment Equity and Standards</b>									
Current payments	25 113	(6 792)	(533)	17 788	17 788	-	100.0%	23 706	23 244
Transfers and subsidies	-	-	-	-	-	-	-	24	24
Payment for capital assets	-	-	89	89	89	-	100.0%	362	345
<b>4.4 International Labour Matters</b>									
Current payments	7 886	-	404	8 290	8 290	-	100.0%	12 030	12 029
Transfers and subsidies	10 043	-	(1)	10 042	9 365	677	93.3%	10 377	10 377
Payment for capital assets	135	-	(89)	46	-	46	-	-	-
<b>4.5 Labour Market Information and Statistics</b>									
Current payments	4 359	1 223	(1 784)	3 798	3 798	-	100.0%	4 024	4 016
Transfers and subsidies	22	-	-	22	22	-	100.0%	-	-
<b>4.6 National Economic Development and Labour Council</b>									
Current payments	472	9	(42)	439	439	-	100.0%	394	368
Transfers and subsidies	14 554	5 000	-	19 554	19 554	-	100.0%	13 959	13 959
<b>4.7 Programme Management Unit</b>									
Current payments	9 587	(465)	(693)	8 429	8 429	-	100.0%	8 966	8 078
Transfers and subsidies	-	-	60	60	60	-	100.0%	-	-
Payment for capital assets	30	-	-	30	14	16	46.7%	25	-
<b>4.8 Research, Policy and Planning</b>									
Current payments	17 205	(547)	(3 564)	13 094	8 497	4 597	64.9%	5 655	4 778
Payment for capital assets	-	-	-	-	-	-	-	23	7

# Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.9 Sheltered Employment Factories</b>									
Current payments	2 343	220	(82)	2 481	2 481	-	96.8%	2 836	2 795
Transfers and subsidies	59 879	17 950	20	77 849	77 849	-	100.0%	102 776	102 776
<b>4.10 Strengthen Civil Society</b>									
Transfers and subsidies	13 795	-	-	13 795	13 795	-	100.0%	15 903	15 903
<b>Total</b>	<b>500 979</b>	<b>48 261</b>	<b>(7 467)</b>	<b>541 773</b>	<b>536 437</b>	<b>5 336</b>	<b>99.0%</b>	<b>472 102</b>	<b>469 730</b>

2009/10								2008/09	
Programme 4 per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	39 415	(1 689)	(535)	37 191	37 191	-	100.0%	34 810	34 810
Goods and services	38 664	(5 000)	(7 011)	26 653	22 056	4 597	82.8%	31 409	29 106
<b>Transfers and subsidies to:</b>									
Departmental agencies and accounts	352 791	37 000	-	389 791	389 791	-	100.0%	291 572	291 572
Foreign governments and international organisations	9 295	-	-	9 295	8 618	677	92.7%	10 377	10 377
Non-profit institutions	59 879	17 950	-	77 829	77 829	-	100.0%	102 776	102 776
Households	770	-	79	849	849	-	100.0%	737	737
<b>Payment for capital assets</b>									
Machinery and equipment	165	-	-	165	103	62	62.4%	421	352
<b>Total</b>	<b>500 979</b>	<b>48 261</b>	<b>(7 467)</b>	<b>541 773</b>	<b>536 437</b>	<b>5 336</b>	<b>99.0%</b>	<b>472 102</b>	<b>469 730</b>

# Annual Financial Statements

Department of Labour Vote 15  
Detail per Programme for the year ended 31 March 2010

2009/10								2008/09	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>5.1 Compensation Fund</b>									
Transfers and subsidies	8 976	-	-	8 976	6 013	2 963	67.0%	10 500	6 366
<b>5.2 Unemployment Insurance Fund</b>									
Transfers and subsidies	1	-	-	1	-	1	-	1	-
<b>Total</b>	<b>8 977</b>	<b>-</b>	<b>-</b>	<b>8 977</b>	<b>6 013</b>	<b>2 964</b>	<b>67.0%</b>	<b>10 501</b>	<b>6 366</b>

2009/10								2008/09	
Programme 5 per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Transfers and subsidies to:</b>									
Departmental agencies and accounts	8 977	-	-	8 977	6 013	2 964	67.0%	10 501	6 366
<b>Total</b>	<b>8 977</b>	<b>-</b>	<b>-</b>	<b>8 977</b>	<b>6 013</b>	<b>2 964</b>	<b>67.0%</b>	<b>10 501</b>	<b>6 366</b>



# Annual Financial Statements

Department of Labour Vote 15

Notes to the Appropriation Statement for the year ended 31 March 2010

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

Detail of these transactions can be viewed in the note on transfers and subsidies, disclosure notes and Annexure 1 (A-H) 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 the note on financial transactions in assets and liabilities to the Annual Financial Statements.

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

4.1 Variances per programme	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	R'000
<b>Administration</b>				
Current payments	378 603	407 846	(29 243)	(7.72%)
Transfers and subsidies	1 828	1 828	-	-
Payment for capital assets	39 565	10 322	29 243	73.91%

The over-expenditure was mainly due to leases of buildings (claims received from the Department of Public Works (DPW)), which was R30 million over the budgeted amount. There were also delays experienced with commencement of capital projects.

### Service Delivery

Current payments	701 980	701 980	-	-
Transfers and subsidies	2 043	1 888	155	7.59%
Payment for capital assets	8 565	6 500	2 065	24.11%

Under-spending is due to delays experienced with procurement processes of furniture.

### Employment and Skills Development Services/Human Resource Development

Current payments	91 515	76 268	15 247	16.66%
Transfers and subsidies	305 756	305 756	-	-
Payment for capital assets	9 679	8 620	1 059	10.94%

The reason for under-spending is mainly due to the delay of the implementation of the function transfer to the Quality Council for Trade and Occupations (QCTO).

### Labour Policy and Labour Market Programmes

Current payments	63 844	59 247	4 597	7.20%
Transfers and Subsidies	477 764	477 087	677	0.14%
Payment for capital assets	165	103	62	37.58%

The under-spending is mainly due to a high number of posts vacated during the financial year.

# Annual Financial Statements

*Department of Labour Vote 15*

*Notes to the Appropriation Statement for the year ended 31 March 2010*

Programme	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	R'000
<b>Social Insurance</b>				
Transfers and subsidies	8 977	6 013	2 964	33.02%

Under-spending is mainly due to less than anticipated claims received on behalf of public servants injured on duty.

4.2 Variances per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	R'000
<b>Current payments:</b>				
Compensation of employees	640 464	633 941	6 523	1.02%
Goods and services	594 961	610 883	(15 922)	(2.68%)
Financial transactions in assets and liabilities	517	517	-	-
<b>Transfers and subsidies:</b>				
Provinces and municipalities	1	1	-	-
Departmental agencies and accounts	477 195	474 231	2 964	0.62%
Public corporations and private enterprises	9 295	8 618	677	7.28%
Foreign governments and international organisations	227 825	227 825	-	-
Non-profit institutions	78 472	78 317	155	0.20%
Households	3 580	3 580	-	-
<b>Payments for capital assets:</b>				
Buildings and other fixed structures	31 225	2 087	29 138	93.32%
Machinery and equipment	26 744	23 453	3 291	12.31%
Software and other intangible assets	5	5	-	-

# Annual Financial Statements

Department of Labour Vote 15

Statement of Financial Performance for the year ended 31 March 2010

Performance	Note	2009/10 R'000	2008/09 R'000
<b>Revenue</b>			
Annual appropriation	1	2 090 284	1 747 606
Statutory appropriation	2	7 815 556	7 234 135
Departmental revenue	3	12 916	28 863
<b>Total Revenue</b>		<b>9 918 756</b>	<b>9 010 604</b>
<b>Expenditure</b>			
<b>Current expenditure</b>			
Compensation of employees	4	633 941	541 427
Goods and services	5	610 883	575 641
Financial transactions in assets and liabilities	6	517	4 252
<b>Total current expenditure</b>		<b>1 245 341</b>	<b>1 121 320</b>
<b>Transfers and subsidies</b>		<b>8 608 128</b>	<b>7 743 533</b>
Transfers and subsidies	7	8 608 128	7 743 533
<b>Expenditure for capital assets</b>			
Tangible capital assets	8	25 540	12 123
Software and other intangible assets	8	5	-
<b>Total expenditure for capital assets</b>		<b>25 545</b>	<b>12 123</b>
<b>Total Expenditure</b>		<b>9 879 014</b>	<b>8 876 976</b>
<b>Surplus/(Deficit) for the year</b>		<b>39 742</b>	<b>133 628</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted funds		26 826	104 765
Departmental revenue	13	12 916	28 863
<b>Surplus/(Deficit) for the year</b>		<b>39 742</b>	<b>133 628</b>

# Annual Financial Statements

*Department of Labour Vote 15*  
*Statement of Financial Position as at 31 March 2010*

Position	Note	2009/10 R'000	2008/09 R'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	512	61 273
Prepayments and advances	10	5 458	1 277
Receivables	11	37 560	57 494
<b>Total Assets</b>		<b>43 530</b>	<b>120 044</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Voted funds to be surrendered to the Revenue Fund	12	26 826	104 765
Departmental revenue to be surrendered to the Revenue Fund	13	1 007	171
Bank overdraft	14	1 976	-
Payables	15	895	4 121
<b>Total Liabilities</b>		<b>30 704</b>	<b>109 057</b>
<b>Net Assets</b>		<b>12 826</b>	<b>10 987</b>
<b>Represented by:</b>			
Recoverable revenue		12 826	10 987
<b>Total</b>		<b>12 826</b>	<b>10 987</b>

# Annual Financial Statements

*Department of Labour Vote 15*

*Statement of Changes in Net Assets for the year ended 31 March 2010*

Net Assets	Note	2009/10 R'000	2008/09 R'000
<b>Recoverable revenue</b>			
Opening balance		10 987	9 300
Transfers:		1 839	1 687
Irrecoverable amounts written-off	23.1	(10)	(30)
Debts revised		(35)	(256)
Debts recovered (included in departmental receipts)		(2 018)	(3 840)
Debts raised		3 902	5 813
<b>Total</b>		<b>12 826</b>	<b>10 987</b>

## Annual Financial Statements

Department of Labour Vote 15  
Cash Flow Statement for the year ended 31 March 2010

Cash Flow	Note	2009/10 R'000	2008/09 R'000
<b>Cash flows from operating activities</b>			
Receipts		9 918 425	9 010 604
Annual appropriated funds received	1.1	2 090 284	1 747 606
Statutory appropriated funds received	2	7 815 556	7 234 135
Departmental revenue received	3	12 585	28 863
Net (increase)/decrease in working capital		12 527	21 271
Surrendered to Revenue Fund		(116 845)	(118 827)
Current payments		(1 245 341)	(1 121 320)
Transfers and subsidies paid		(8 608 128)	(7 743 533)
<b>Net cash flow available from operating activities</b>	16	<b>(39 362)</b>	<b>48 195</b>
<b>Cash flows from investing activities</b>			
Payments for capital assets	8	(25 545)	(12 123)
Proceeds from sale of capital assets	3.4	331	-
<b>Net cash flows from investing activities</b>		<b>(25 214)</b>	<b>(12 123)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in net assets		1 839	1 687
<b>Net cash flows from financing activities</b>		<b>1 839</b>	<b>1 687</b>
Net increase/(decrease) in cash and cash equivalents		(62 737)	37 759
Cash and cash equivalents at beginning of period		61 273	23 514
<b>Cash and cash equivalents at end of period</b>	17	<b>(1 464)</b>	<b>61 273</b>

# Annual Financial Statements

*Department of Labour Vote 15  
Accounting Policies for the year ended 31 March 2010*

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 2 of 2006.

## 1. Presentation of the financial statements

### 1.1 Basis of preparation

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

### 1.2 Presentation currency

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

### 1.3 Rounding

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

### 1.4 Comparative figures

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

### 1.5 Comparative figures - Appropriation Statement

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

## 2. Revenue

### 2.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against Revenue Fund (i.e. statutory appropriation).

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

The total appropriated funds received during the year are presented in the Statement of Financial Performance.

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

### 2.2 Departmental revenue

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

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

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

### 2.3 Direct exchequer receipts / payments

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

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

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

# Annual Financial Statements

*Department of Labour Vote 15  
Accounting Policies for the year ended 31 March 2010*

## 2.4 Aid assistance

Aid assistance is recognised as revenue when received.

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

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

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

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

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

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

## 3. Expenditure

### 3.1 Compensation of employees

#### 3.1.1 Short-term employee benefits

The cost of short-term employee benefits are expensed in the Statement of Financial Performance when financial authorisation for payment is effected on the system (by no later than 31 March each year).

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

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

#### 3.1.2 Post retirement benefits

Employer contribution (i.e. social contributions) are expensed in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March each year).

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

Social contribution (such as medical benefits) made by the Department for certain of its ex-employees are classified as transfers to households in the Statement of Financial Performance.

#### 3.1.3 Termination benefits

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

#### 3.1.4 Other long-term employee benefits

Other long-term employee benefits (such as capped leave) are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the Disclosure Notes to the Financial Statements.



# Annual Financial Statements

*Department of Labour Vote 15  
Accounting Policies for the year ended 31 March 2010*

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

## 3.3 Interest and rent on land

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

## 3.4 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 underspending of appropriated funds. The write-off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the Disclosure Notes to the Financial Statements amounts.

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

## 3.5 Transfers and subsidies

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

## 3.6 Unauthorised expenditure

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

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

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

## 3.7 Fruitless and wasteful expenditure

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

## 3.8 Irregular expenditure

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

## 4. Assets

### 4.1 Cash and cash equivalents

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

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

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

### 4.2 Other financial assets

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

## Annual Financial Statements

*Department of Labour Vote 15  
Accounting Policies for the year ended 31 March 2010*

### 4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made and where the goods and services have not been received by year end.

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

### 4.4 Receivables

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party or from the sale of goods/rendering of services.

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

### 4.5 Investments

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

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

### 4.6 Loans

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

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

### 4.7 Inventory

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

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

### 4.8 Capital assets

#### 4.8.1 Movable assets

##### Initial recognition

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

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

##### Subsequent recognition

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

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

#### 4.8.2 Immovable assets

##### Initial recognition

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

##### Subsequent recognition

Work-in-progress of a capital nature is recorded in the Statement of Financial Performance as "expenditure for capital asset". On completion, the total cost of the project is included in the asset register of the Department that legally owns the asset or the provincial/national Department of Public Works.

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

# Annual Financial Statements

*Department of Labour Vote 15  
Accounting Policies for the year ended 31 March 2010*

## 5. Liabilities

### 5.1 Payables

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

### 5.2 Contingent liabilities

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

### 5.3 Contingent assets

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

### 5.4 Commitments

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

### 5.5 Accruals

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

### 5.6 Employee benefits

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

### 5.7 Lease commitments

#### Finance lease

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

#### Operating lease

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

### 5.8 Provisions

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

## 6. Receivables for departmental revenue

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

## 7. Net Assets

### 7.1 Capitalisation reserve

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

## Annual Financial Statements

*Department of Labour Vote 15  
Accounting Policies for the year ended 31 March 2010*

### **7.2 Recoverable revenue**

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

### **8. Related party transactions**

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

### **9. Key management personnel**

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

### **10. Public private partnerships**

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

# Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

## 1. Annual appropriation

### 1.1 Annual appropriation

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

	Final appropriation	Actual funds received	Funds not requested/not received	Appropriation received 2008/09
	R'000	R'000	R'000	R'000
Administration	419 996	384 009	35 987	384 207
Service Delivery	712 588	741 108	(28 520)	702 331
Employment and Skills Development Services/ Human Resource Development	406 950	406 950	-	178 465
Labour Policy and Labour Market Programmes	541 773	549 240	(7 467)	472 102
Social Insurance	8 977	8 977	-	10 501
<b>Total</b>	<b>2 090 284</b>	<b>2 090 284</b>	<b>-</b>	<b>1 747 606</b>

	Note	2009/10	2008/09
		R'000	R'000
<b>2. Statutory Appropriation</b>			
Sector Education and Training Authorities (SETAs)		6 252 445	5 787 308
National Skills Fund		1 563 111	1 446 827
<b>Total</b>		<b>7 815 556</b>	<b>7 234 135</b>
Actual Statutory Appropriation received		<b>7 815 556</b>	<b>7 234 135</b>

## 3. Departmental revenue

Tax revenue

Sales of goods and services other than capital assets	3.1	5 290	4 654
Fines, penalties and forfeits	3.2	537	436
Interest, dividends and rent on land	3.3	821	3 905
Sales of capital assets	3.4	331	-
Financial transactions in assets and liabilities	3.5	5 937	19 868

**Departmental revenue collected**

**12 916**      **28 863**

# Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

	Note	2009/10	2008/09
		R'000	R'000
<b>3.1 Sales of goods and services other than capital assets</b>	<b>3</b>		
Sales of goods and services produced by the Department		5 247	4 608
Sales by market establishment		577	584
Administrative fees		2 701	2 340
Other sales		1 969	1 684
Sales of scrap, waste and other used current goods		43	46
<b>Total</b>		<b>5 290</b>	<b>4 654</b>
<b>3.2 Fines, penalties and forfeits</b>	<b>3</b>		
Fines		537	436
<b>Total</b>		<b>537</b>	<b>436</b>
<b>3.3 Interest, dividends and rent on land</b>	<b>3</b>		
Interest		821	3 905
<b>Total</b>		<b>821</b>	<b>3 905</b>
<b>3.4 Sale of capital assets</b>	<b>3</b>		
<b>Tangible capital assets</b>			
Machinery and equipment	29	331	-
<b>Total</b>		<b>331</b>	<b>-</b>
<b>3.5 Financial transactions in assets and liabilities</b>	<b>3</b>		
Receivables		1 489	2 081
Stale cheques written back		27	260
Other receipts including recoverable revenue		4 421	17 527
<b>Total</b>		<b>5 937</b>	<b>19 868</b>
<b>4. Compensation of employees</b>			
<b>4.1 Salaries and wages</b>			
Basic salary		446 138	376 808
Performance award		8 461	8 894
Service based		579	435
Compensative/circumstantial		10 722	7 122
Other non-pensionable allowances		69 683	67 672
<b>Total</b>		<b>535 583</b>	<b>460 931</b>
<b>4.2 Social contributions</b>			
<b>Employer contributions</b>			
Pension		62 216	49 758
Medical		36 048	30 645
Bargaining council		94	93
<b>Total</b>		<b>98 358</b>	<b>80 496</b>
<b>Total compensation of employees</b>		<b>633 941</b>	<b>541 427</b>
Average number of employees		3 834	3 079

# Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

	Note	2009/10 R'000	2008/09 R'000
<b>5. Goods and services</b>			
Administrative fees		417	2 633
Advertising		25 233	34 629
Assets less than R5 000	5.1	6 669	5 901
Bursaries (employees)		2 638	2 447
Catering		5 156	4 172
Communication		46 950	45 060
Computer services	5.2	29 733	119 425
Consultants, contractors and agency/outsourced services	5.3	24 638	40 756
Entertainment		345	297
Audit cost – external	5.4	20 765	29 918
Inventory	5.5	44 700	38 795
Operating leases		198 665	87 877
Owned and leasehold property expenditure	5.6	65 079	21 308
Transport provided as part of departmental activities		38	40
Travel and subsistence	5.7	105 267	111 557
Venues and facilities		14 963	18 263
Training and staff development		10 974	9 885
Other operating expenditure	5.8	8 653	2 678
<b>Total</b>		<b>610 883</b>	<b>575 641</b>
<b>5.1 Assets less than R5 000</b>	<b>5</b>		
<b>Tangible assets</b>			
Machinery and equipment		6 669	5 901
<b>Total</b>		<b>6 669</b>	<b>5 901</b>
<b>5.2 Computer services</b>	<b>5</b>		
SITA computer services		17 691	27 615
External computer service providers		12 042	91 810
<b>Total</b>		<b>29 733</b>	<b>119 425</b>
<b>5.3 Consultants, contractors and agency/outsourced services</b>	<b>5</b>		
Business and advisory services		5 932	2 234
Infrastructure and planning		1 554	1 330
Legal costs		4 271	2 307
Contractors		4 278	15 443
Agency and support/outsourced services		8 603	19 442
<b>Total</b>		<b>24 638</b>	<b>40 756</b>
<b>5.4 Audit cost – external</b>	<b>5</b>		
Regularity audits		20 765	29 918
<b>Total</b>		<b>20 765</b>	<b>29 918</b>

# Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

	Note	2009/10	2008/09
		R'000	R'000
<b>5.5 Inventory</b>	<b>5</b>		
Learning and teaching support material		101	62
Food and food supplies		3 509	1 721
Fuel, oil and gas		641	1 131
Other consumable materials		3 617	2 731
Maintenance material		5 261	5 592
Stationery and printing		31 526	27 531
Medical supplies		45	27
<b>Total</b>		<b>44 700</b>	<b>38 795</b>
<b>5.6 Owned and leasehold property expenditure</b>	<b>5</b>		
Municipal services		20 156	13 376
Property management fees		1 007	668
Property maintenance and repairs		19 345	-
Other		24 571	7 264
<b>Total</b>		<b>65 079</b>	<b>21 308</b>
<b>5.7 Travel and subsistence</b>	<b>5</b>		
Local		97 218	101 870
Foreign		8 049	9 687
<b>Total</b>		<b>105 267</b>	<b>111 557</b>
<b>5.8 Other operating expenditure</b>	<b>5</b>		
Professional bodies, membership and subscription fees		339	139
Resettlement costs		4 909	1 148
Other		3 405	1 391
<b>Total</b>		<b>8 653</b>	<b>2 678</b>
<b>6. Financial transactions in assets and liabilities</b>			
Other material losses written-off	6.1	178	2 092
Debts written-off	6.2	339	2 160
<b>Total</b>		<b>517</b>	<b>4 252</b>
<b>6.1 Other material losses written-off</b>	<b>6</b>		
<b>Nature of losses</b>			
Irregular expenditure		-	1 014
Salary overpayment		178	1 078
<b>Total</b>		<b>178</b>	<b>2 092</b>



# Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

	Note	2009/10	2008/09
		R'000	R'000
<b>6.2 Debts written-off</b>	<b>6</b>		
<b>Nature of debts written-off</b>			
Staff debts		278	2 106
Other		61	54
<b>Total</b>		<b>339</b>	<b>2 160</b>
<b>6.3 Receivable for Department revenue written-off</b>	<b>23.1</b>		
<b>Nature of losses</b>			
Breach of contract		10	30
<b>Total</b>		<b>10</b>	<b>30</b>
<b>7. Transfers and subsidies</b>			
Provinces and municipalities	<i>Annex 1A</i>	1	-
Departmental agencies and accounts	<i>Annex 1B</i>	8 289 787	7 620 160
Foreign governments and international organisations	<i>Annex 1D</i>	8 618	10 377
Public corporations and private enterprises	<i>Annex 1C</i>	227 825	5 080
Non-profit institutions	<i>Annex 1E</i>	78 317	103 277
Households	<i>Annex 1F</i>	3 580	3 433
Gifts, donations and sponsorships made	<i>Annex 1G</i>	-	1 206
<b>Total</b>		<b>8 608 128</b>	<b>7 743 533</b>
<b>8. Expenditure for capital assets</b>			
<b>Tangible assets</b>		25 540	12 123
Buildings and other fixed structures	44	2 087	3 367
Machinery and equipment	42	23 453	8 756
<b>Software and other intangible assets</b>		5	-
Computer software	43	5	-
<b>Total</b>		<b>25 545</b>	<b>12 123</b>
<b>8.1 Analysis of funds utilised to acquire capital assets – 2009/10</b>			
	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets			
Buildings and other fixed structures	2 087	-	2 087
Machinery and equipment	23 453	-	23 453
Software and other intangible assets			
Computer software	5	-	5
<b>Total</b>	<b>25 545</b>	<b>-</b>	<b>25 545</b>

## Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

## 12.1 Analysis of funds utilised to acquire capital assets – 2008/09

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
<b>Tangible assets</b>			
Buildings and other fixed structures	3 367	-	3 367
Machinery and equipment	8 756	-	8 756
<b>Total</b>	<b>12 123</b>	<b>-</b>	<b>12 123</b>

	Note	2009/10	2008/09
		R'000	R'000
<b>9. Cash and cash equivalents</b>			
Consolidated Paymaster-General Account		-	60 651
Cash receipts		-	7
Disbursements		-	95
Cash on hand		512	520
<b>Total</b>		<b>512</b>	<b>61 273</b>

## 10. Prepayments and advances

Travel and subsistence	69	339
Prepayments	4 155	-
Advances paid to other entities	1 234	938
<b>Total</b>	<b>5 458</b>	<b>1 277</b>

## 11. Receivables

		2009/10			2008/09	
	Note	R'000	R'000	R'000	R'000	R'000
		Less than one year	One to three years	Older than three years	Total	Total
Claims recoverable	11.1 Annex 3	15 865	106	418	16 389	38 677
Recoverable expenditure	11.2	168	886	25	1 079	981
Staff debt	11.3	1 917	6 524	11 611	20 052	17 710
Other debtors	11.4	14	15	11	40	126
<b>Total</b>		<b>17 964</b>	<b>7 531</b>	<b>12 065</b>	<b>37 560</b>	<b>57 494</b>

	Note	2009/10	2008/09
		R'000	R'000
<b>11.1 Claims recoverable</b>	<b>11</b>		
National departments		1 545	1 222
Provincial departments		61	69
Public entities		14 783	37 331
Private enterprises		-	43
Local governments		-	12
<b>Total</b>		<b>16 389</b>	<b>38 677</b>

# Annual Financial Statements

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2010

	Note	2009/10	2008/09
		R'000	R'000
<b>11.2 Recoverable expenditure (disallowance accounts)</b>	<b>11</b>		
Disallowance miscellaneous		839	981
Deduction disallowance account		5	-
Disallowance account		14	-
Clearing accounts		195	-
Dishonoured cheques		26	-
<b>Total</b>		<b>1 079</b>	<b>981</b>
<b>11.3 Staff debt</b>	<b>11</b>		
Staff debtors		20 052	17 710
<b>Total</b>		<b>20 052</b>	<b>17 710</b>
<b>11.4 Other debtors</b>	<b>11</b>		
Clearing account		-	62
Dishonoured cheques		-	38
Arrear wages		40	26
<b>Total</b>		<b>40</b>	<b>126</b>
<b>12. Voted funds to be surrendered to the Revenue Fund</b>			
Opening balance		104 765	89 244
Transfer from Statement of Financial Performance		26 826	104 765
Paid during the year		(104 765)	(89 244)
<b>Closing balance</b>		<b>26 826</b>	<b>104 765</b>
<b>13. Departmental revenue to be surrendered to the Revenue Fund</b>			
Opening balance		171	891
Transfer from Statement of Financial Performance		12 916	28 863
Paid during the year		(12 080)	(29 583)
<b>Closing balance</b>		<b>1 007</b>	<b>171</b>
<b>14. Bank overdraft</b>			
Consolidated Paymaster-General Account		1 976	-
<b>Total</b>		<b>1 976</b>	<b>-</b>
*The amount of R5 436 740 (Outstanding payments) reflect in 2010/11 Consolidated Paymaster-General Account. Actual positive amount in bank R4 136 433			
<b>15. Payables – current</b>			
Amounts owing to other entities	<b>Annex 4</b>	-	118
Clearing accounts	<b>15.1</b>	852	3 392
Other payables	<b>15.2</b>	43	611
<b>Total</b>		<b>895</b>	<b>4 121</b>

# Annual Financial Statements

*Department of Labour - Vote 15*

*Notes to the Annual Financial Statements for the year ended 31 March 2010*

	Note	2009/10	2008/09
		R'000	R'000
<b>15.1 Clearing accounts</b>	<b>15</b>		
Salary control accounts		852	3 392
<b>Total</b>		<b>852</b>	<b>3 392</b>
<b>15.2 Other payables</b>	<b>15</b>		
Recoverable expenditure		-	570
Arrear wages		42	41
Housing key deposits		1	-
<b>Total</b>		<b>43</b>	<b>611</b>
<b>16. Net cash flow available from operating activities</b>			
Net surplus/(deficit) as per Statement of Financial Performance		39 742	133 628
Add back non-cash/cash movements not deemed operating activities		(79 104)	(85 433)
(Increase)/decrease in receivables – current		19 934	20 135
(Increase)/decrease in pre-payments and advances		(4 181)	725
Increase/(decrease) in payables – current		(3 226)	411
Proceeds from sale of capital assets		(331)	-
Expenditure on capital assets		25 545	12 123
Surrenders to Revenue Fund		(116 845)	(118 827)
<b>Net cash flow generated by operating activities</b>		<b>(39 362)</b>	<b>48 195</b>
<b>17. Reconciliation of cash and cash equivalents for cash flow purposes</b>			
Consolidated Paymaster-General account		(1 976)	60 651
Cash receipts		-	7
Disbursements		-	95
Cash on hand		512	520
<b>Total</b>		<b>(1 464)</b>	<b>61 273</b>

# Annual Financial Statements

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

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

	Note	2009/10	2008/09
		R'000	R'000
<b>18. Contingent liabilities and contingent assets</b>			
<b>18.1 Contingent liabilities</b>			
<b>Liable to</b>	<b>Nature</b>		
Motor vehicle guarantees	Employees <b>Annex 2A</b>	117	191
Housing loan guarantees	Employees <b>Annex 2A</b>	12 349	11 654
Claims against the Department	<b>Annex 2B</b>	434	2 861
Other departments (interdepartmental unconfirmed balances)	<b>Annex 4</b>	2 485	13 324
<b>Total</b>		<b>15 385</b>	<b>28 030</b>

## 18.2 Contingent assets

### Nature of contingent asset

Siemens unitary fee claim	5 020	-
<b>Total</b>	<b>5 020</b>	<b>-</b>

During March 2010, the Department noted that the unitary fee is based on a larger number of users than actually employed by the Department. It was agreed in principal with Siemens that a revised unitary fee will be calculated for the 2009/10 financial year and the difference between the actual payment and the revised unitary fee will be refunded to the Department. The refund as calculated by the Department totalled R15, 061 million and is currently being reviewed by Siemens. Two thirds of this amount will be on behalf of the UIF and Compensation Fund respectively. It is probable that this claim will be refunded to the Department in the next financial year. A similar calculation is being performed for prior financial years, however the amount could not be quantified yet. (See note: 27 Public Private Partnership.)

## 19. Commitments

### Current expenditure

Approved and contracted	21 688	12 903
<b>Total commitments</b>	<b>21 688</b>	<b>12 903</b>

## 20. Accruals

Listed by economic classification	30 Days	30+ Days	Total	Total
Goods and services	8 415	10 286	18 701	1 837
Buildings and other fixed structures	-	-	-	872
Machinery and equipment	-	165	165	256
<b>Total</b>	<b>8 415</b>	<b>10 451</b>	<b>18 866</b>	<b>2 965</b>

	Note	2009/10	2008/09
		R'000	R'000
<b>Listed by programme level</b>			
Programme 1 – Administration		4 718	109
Programme 2 – Service Delivery		10 758	1 905
Programme 3 – ESDS		113	933
Programme 4 – LP&LMP		3 277	18
<b>Total</b>		<b>18 866</b>	<b>2 965</b>
Confirmed balances with other departments	<b>Annex 4</b>	-	118
<b>Total</b>		<b>-</b>	<b>118</b>

## Annual Financial Statements

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

	Note	2009/10	2008/09
		R'000	R'000
<b>21. Employee benefits</b>			
Leave entitlement		24 784	18 902
Service bonus (Thirteenth cheque)		20 661	16 747
Performance awards		-	-
Capped leave commitments		39 050	34 195
<b>Total</b>		<b>84 495</b>	<b>69 844</b>

**22. Lease commitments****22.1 Operating leases expenditure**

2009/10	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
Later than 1 year and not later than 5 years	-	-	11 104	11 104
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>11 104</b>	<b>11 104</b>

2008/09	Land	Buildings and other fixed structures	Machinery and equipment	Total
Later than 1 year and not later than 5 years	-	-	5	5
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>

**22.1 Operating leases expenditure**

2009/10	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	3 684	3 684
Later than 1 year and not later than 5 years	-	-	1 647	1 647
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>5 331</b>	<b>5 331</b>
Less: finance costs	-	-	(374)	(374)
<b>Total present value of lease liabilities</b>	<b>-</b>	<b>-</b>	<b>4 957</b>	<b>4 957</b>

2008/09	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	3 556	3 556
Later than 1 year and not later than 5 years	-	-	3 853	3 853
<b>Total present value of lease liabilities</b>	<b>-</b>	<b>-</b>	<b>7 409</b>	<b>7 409</b>

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

	Note	2009/10	2008/09
		R'000	R'000
<b>23. Receivables for departmental revenue</b>			
Interest, dividends and rent on land		21	53
<b>Total</b>		<b>21</b>	<b>53</b>
<b>23.1 Analysis of receivables for departmental revenue</b>			
Less: amount written-off/reversed as irrecoverable	6.3	(10)	(30)
<b>Total</b>		<b>(10)</b>	<b>(30)</b>

# Annual Financial Statements

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

Note	2009/10 R'000	2008/09 R'000
<b>24. Irregular expenditure</b>		
<b>24.1 Reconciliation of irregular expenditure</b>		
Opening balance	716	1 014
Add: irregular expenditure – relating to prior year	-	510
Add: irregular expenditure – relating to current year	3 392	716
Less: amounts condoned	(716)	(1 524)
<b>Irregular expenditure awaiting condonation</b>	<b>3 392</b>	<b>716</b>
<b>Analysis of awaiting condonation per age classification</b>		
Current year	3 392	716
Prior years	-	-
<b>Total</b>	<b>3 392</b>	<b>716</b>

Please take note that the amount of R914 328,51 has been condoned by the Accounting Officer during the financial year 2010/11.

## 24.2 Details of irregular expenditure condoned

Incident	Condoned by (condoning authority)	2009/10 R'000
Correct procurement procedures were not followed	Condoned by the Accounting Officer	816
Contract expired	Condoned by the Accounting Officer	98
<b>Total</b>		<b>914</b>

## 24.3 Details of irregular expenditure not recoverable (not condoned)

Incident	Condoned by (condoning authority)	2009/10 R'000
Inspectors post upgraded without approval	In process to be condoned	2 478
<b>Total</b>		<b>2 478</b>

## 25. Related party transactions

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

Related parties	Nature of relationship	Transaction type	2009/10 R'000	2008/09 R'000
Compensation Fund	Remuneration of staff and payment for goods and services on behalf of the entity	Compensation of employees	223 951	187 892
		Goods and services	107 843	110 873
		Transfers	2 637	5 285
Unemployment Insurance Fund	Remuneration of staff and payment for goods and services on behalf of the entity	Compensation of employees	407 901	344 348
		Goods and services	152 460	148 698
		Transfers	2 075	1 958
National Skills Fund	Remuneration of staff and payment for goods and services on behalf of the entity	Compensation of employees	13 547	10 887
		Goods and services	2 182	2 246
		Transfers	428	1 285

# Annual Financial Statements

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Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

	No. of individuals	2009/10 R'000	2008/09 R'000
<b>26. Key management personnel</b>			
Political office bearers			
Officials:	<b>1</b>	<b>1 725</b>	1 479
Level 15 to 16	<b>6</b>	<b>5 679</b>	3 083
Level 14	<b>19</b>	<b>15 404</b>	10 123
<b>Total</b>		<b>22 808</b>	14 685

	Note	2009/10 R'000	2008/09 R'000
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## 27. Public Private Partnership

### A description of the arrangement

Subsequent to obtaining approval from National Treasury in terms of Treasury Regulation 16, the Department of Labour 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 of Labour, the Unemployment Insurance Fund and the Compensation Fund ("the Funds") for a period of 10 years.

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

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

- **Additional services**

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

- **Variations**

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

- **Scalability**

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

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

- **Excess Profit Regime**

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

- **Foreign exchange rate mechanism**

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



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## The nature and extent of the arrangement

### *a. Rights to use specified assets*

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

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

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

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

#### • Initial Services

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

#### • Improvement Services

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

#### • Operational Services

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

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

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

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

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

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

The Department of Labour 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.

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## h. Reinvestment fund

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

- The Department of Labour's obligations in the event that the Rand devaluates outside certain agreed parameters
- Additional services or variations
- A reduction in unitary fee
- Bank charges related to the reinvestment fund.

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

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

As at 31 March 2010, the balance of the reinvestment fund was:

	2009/10	2008/09
Department of Labour	11 447 419	9 890 566
Compensation Fund	11 562 933	9 772 631
Unemployment Insurance Fund	11 478 240	9 856 317
<b>Total</b>	<b>34 488 592</b>	<b>29 519 514</b>

## i. Expenditure for the financial year

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

Year ended	Unitary fee R	Additional services R	Total R
31 March 2003	40 833 333	nil	40 833 333
31 March 2004	125 463 046	36 806 561	162 269 607
31 March 2005	136 962 744	22 646 145	159 608 889
31 March 2006	160 210 820	14 130 604	174 341 424
31 March 2007	158 421 099	21 988 865	180 409 964
31 March 2008	194 901 365	11 386 879	206 288 244
31 March 2009	202 499 896	11 967 310	214 467 206
31 March 2010 (Note 1)	219 218 864	12 248 944	231 467 808

Note 1- During the current financial year a contingent asset (representing an amount receivable from Siemens) and a contingent liability (representing amounts owing to the Unemployment Insurance Fund and the Compensation Fund) arose as a result of an adjustment to the unitary fee. This was as a result of a decrease in the number of user devices. Refer to note 18 for further details.

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

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

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Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

The table below provides a summary of payments made for the year ended 31 March 2010:

Payment type	Total payments to private partner	Department of Labour portion	Unemployment Insurance Fund portion	Compensation Fund portion
	R'000	R'000	R'000	R'000
Unitary fee	219 219	73 073	73 073	73 073
Additional services	12 249	3 056	3 040	6 153
<b>Total</b>	<b>231 468</b>	<b>76 129</b>	<b>76 113</b>	<b>79 226</b>

The table below provides a summary of payments made for the year ended 31 March 2009:

Payment type	Total payments to private partner	Department of Labour portion	Unemployment Insurance Fund portion	Compensation Fund portion
	R'000	R'000	R'000	R'000
Unitary fee	202 500	67 500	67 500	67 500
Additional services	11 968	7 867	3 803	298
Legacy claim	28 620	9 540	9 540	9 540
<b>Total</b>	<b>243 088</b>	<b>84 907</b>	<b>80 843</b>	<b>77 338</b>

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

## Disclosure

	2009/10	2008/09
	R'000	R'000
<b>Contract fee received</b>	<b>(146 146)</b>	<b>(135 000)</b>
Unitary fee portion paid to the Department by the:		
- Unemployment Insurance Fund	<b>(73 073)</b>	(67 500)
- Compensation Fund	<b>(73 073)</b>	(67 500)
<b>Contract fee paid</b>	<b>229 911</b>	219 701
Fixed component (Note 1)	<b>219 219</b>	202 500
Variable component	<b>0</b>	9 540
Scalability adjustment in respect of previous years	<b>0</b>	0
Refund of expenditure	<b>(1 557)</b>	(206)
Additional services	<b>12 249</b>	7 867
<b>Current expenditure</b>	<b>0</b>	0
Compensation of employees	<b>0</b>	0
Goods and services (excluding lease payments)	<b>0</b>	0
Operating lease (Note 2)	<b>0</b>	0
Finance lease (Note 2)	<b>0</b>	0
Interest	<b>0</b>	0
<b>Capital/ (Liabilities)</b>	<b>0</b>	0
Tangible rights	<b>0</b>	0
Intangible rights (Note 2)	<b>0</b>	0

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Property	0	0
Plant and Equipment (Note 2)	0	0
Loans	0	0
<b>Other</b>	<b>0</b>	<b>0</b>
Prepayments and advances	0	0
Pre-production obligations	0	0
Other obligations	0	0
<b>Total</b>	<b>83 765</b>	<b>84 701</b>

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

Note 2: Refer additional disclosure note below.

### Additional disclosure

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

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

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

### Notes 29 and 30 of the Annual Financial Statements – Tangible and Intangible capital assets

Notes 29 and 30 of the Annual Financial Statements would require the following additions in respect of the PPP Agreement:

#### PPP IT environment asset movement schedule as at 31 March 2010

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
<b>PPP IT environment</b>					
<b>Tangible assets</b>					
- Legacy assets (Note 1)	0	197	0	0	197
- IT hardware (Note 2)	134 917	(1 470)	11 658	(477)	144 628
<b>Intangible assets (Note 3)</b>	68 012	0	48 349	0	116 361
<b>Total assets in PPP IT environment</b>	<b>202 929</b>	<b>(1 273)</b>	<b>60 007</b>	<b>(477)</b>	<b>261 186</b>

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Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

## PPP IT environment asset movement schedule as at 31 March 2009

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
<b>PPP IT environment</b>					
<b>Tangible assets</b>					
- Legacy assets (Note 1)	0	0	0	0	0
- IT hardware (Note 2)	125 851	0	9 439	(373)	134 917
<b>Intangible assets (Note 3)</b>	58 557	0	9 455	0	68 012
<b>Total assets in PPP IT environment</b>	<b>184 408</b>	<b>0</b>	<b>18 894</b>	<b>(373)</b>	<b>202 929</b>

Note 1: Legacy assets means computer hardware used by the Department of Labour 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 was therefore Rnil. During the current financial year, however, an exercise was undertaken in order to determine the fair value of the legacy assets. This value has now been included under current year adjustments.

Note 2: IT hardware refers to additions of IT components (hardware, network and operating systems) which are required to develop the new information technology environment (hardware, network, operating systems, software applications and training) and which are appropriate to support the business processes of the Department of Labour and the Funds.

IT hardware is stated at cost (being the cost price to the private partner, inclusive of VAT) and no depreciation is included, although the assets have an estimated useful life of three years. If the annual financial statements are prepared on an accrual basis of accounting, the assets would be depreciated over their useful lives. The depreciation charge would be recognised in the statement of financial performance on a straight-line basis over three years. The carrying value of the assets would decrease as the asset is depreciated. The adjustment relating to IT hardware for the period ended 31 March 2010 relates to computer accessories which were previously recognised as assets.

### A breakdown of the categories of IT hardware for the 2009/10 financial year is as follows:

	Opening balance	Current year adjustments to prior year balances	Additions*	Replaced**	Decommissioned***	Closing balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
Laptops	9 752	0	1 902	801	(216)	12 239
Thin clients (terminals)	7 023	0	355	700	(42)	8 036
Fat clients (PC's)	22 518	(374)	727	987	(101)	23 757
Monitors	7 295	0	290	481	(40)	8 026
Printers	8 715	0	550	288	(78)	9 475
Servers	69 798	0	0	0	0	69 798
Network equipment	8 721	0	4 577	0	0	13 298
Computer accessories	1 095	(1 095)	0	0	0	0
<b>Total</b>	<b>134 917</b>	<b>(1 469)</b>	<b>8 401</b>	<b>3 257</b>	<b>(477)</b>	<b>144 629</b>

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Note 3: Intangible assets means Improvement and Operational Services the private partner is required to develop and refresh (software applications and training) that is appropriate to support the business processes of the Department of Labour and the Funds at agreed service levels. This includes the software improvements made by the private partner during the provision of the services, including those improvements in respect of additional services where the actual cost of such improvements are known and the improvements meets the definition of an asset. Intangible assets are stated at cost (being the cost price to the private partner, inclusive of VAT) and no amortisation is included, although the assets have an estimated useful life of three years.

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

\*Additions relate to new IT hardware issued to new users.

\*\*Replaced assets relate to new IT hardware issued to existing users as a result of the IT hardware reaching the end of their useful lives.

\*\*\*Decommissioned assets relate to IT hardware that have been taken out of use.

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

Note 22 of the Annual Financial Statements would require the following additions in respect of the PPP Agreement.

#### 22.1 Finance leases:

Public Private Partnership Agreement in respect of information technology:

	Total 2009/10*	Total 2008/09
	R'000	R'000
For the current financial year	35 637	13 342
Not later than 1 year	58 282	23 134
Later than 1 year and not later than 5 years	164 024	120 368
Later than five years	0	0
Present value of lease liabilities (deemed entered into as at year end)	47 093	10 128

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

Year ends	Months in period	Unitary fee	Additional service fee	Total payment to private partner	Capital expenditure by private partner	"Deemed" lease payments	Interest element of "deemed" lease payment	Computer services
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
1 December to 31 March 2003	4	40 833	0	40 833	0	0	0	40 833
1 April 2003 to 31 March 2004	12	125 463	36 807	162 270	34 184	12 871	2 381	149 399
1 April 2004 to 31 March 2005	12	136 963	22 646	159 609	44 976	29 804	4 633	129 805
1 April 2005 to 31 March 2006	12	160 211	14 131	174 342	20 459	37 509	3 948	136 833
1 April 2006 to 31 March 2007	12	158 421	21 989	180 410	15 654	30 532	2 710	149 878
1 April 2007 to 31 March 2008	12	194 901	11 387	206 288	10 578	17 598	1 779	188 690
1 April 2008 to 31 March 2009	12	202 500	11 967	214 467	9 065	13 342	1 418	201 125
1 April 2009 to 31 March 2010*	12	219 219	12 249	231 468	58 061	35 637	5 567	195 831
1 April 2010 to 31 March 2011	12	219 219	0	219 219	69 096	58 282	8 214	160 937
1 April 2011 to 31 March 2012	12	219 219	0	219 219	69 886	96 463	8 451	122 756
1 April 2012 to 31 March 2013	8	146 146	0	146 146	17 396	67 560	2 170	78 586
<b>Total</b>	<b>120</b>	<b>1 823 095</b>	<b>131 176</b>	<b>1 954 271</b>	<b>349 355</b>	<b>399 598</b>	<b>41 271</b>	<b>1 554 673</b>

The unitary fee for years subsequent to 31 March 2010 has not been adjusted for inflation after 31 March 2010 and has been assumed to be the planned expenditure as reflected in the current financial model. However, the PPP Agreement makes provision for an annual increase in the unitary fee by inflation. The additional service fee for subsequent years has been stated as Rnil, as the value of future commitments regarding additional services will only be known in those future periods.

Capital expenditure includes tangible assets and is based on the actual cost, including VAT, incurred by the private partner up to 31 March 2010 for the PPP IT environment. Capital expenditure also includes the actual cost of intangible assets incurred by the private partner for the year ending 31 March 2010. In prior years the cost of intangible assets was not considered in the lease calculation as the actual costs was not previously available. All subsequent years are based on the planned expenditure by the private partner in respect of tangible and intangible assets.

"Deemed" lease payments have been calculated based on the capital expenditure and unitary fee, the weighted average government borrowing rate (being 8,775%), a lease term of the remaining period of the PPP Agreement, monthly lease payments in arrears and assuming that all capital expenditure in a year is incurred on the first day of the financial year.

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

	Total 2009/10*	Total 2008/09
	R'000	R'000
Total computer services in respect of the PPP (additional disclosure in respect of note 6)	195 831	201 125
Allocated to the Department of Labour	40 492	62 025
Allocated to Unemployment Insurance Fund	76 113	71 302
Allocated to Compensation Fund	79 226	67 798
"Deemed" finance lease payments by the Department of Labour (additional disclosure in respect of note 22.2)	35 637	13 342
Total payments to the private partner	<u>231 468</u>	<u>214 467</u>
Payments allocated to the Department of Labour as per the Statement of Financial Performance		
"Deemed" finance lease payments	35 637	13 342
Computer services	40 492	62 025
Total payments by the Department of Labour (included in note 6)	<u>76 129</u>	<u>75 367</u>

\* Beginning in the current year, intangible assets are also measured on a deemed finance lease basis. In the prior years only tangible IT assets were measured on a deemed finance lease basis. In prior years intangible asset information was based on estimates, however from the current year actual amounts were provided. Therefore the Department changed the basis of measurement in the current year. Prior year figures have not been restated.

	Note	2009/10	2008/09
		R'000	R'000
<b>28. Provisions</b>			
<b>Potential irrecoverable debts</b>			
Private enterprises		50	94
Staff debtors		9 236	7 492
Other debtors		2 325	1 932
<b>Total</b>		<u>11 611</u>	<u>9 518</u>



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## 29. Movable tangible capital assets

### Movement in movable tangible capital assets per asset register for the year ended 31 March 2010

	Opening balance	Current Year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>110 550</b>	<b>(2 395)</b>	<b>36 212</b>	<b>(19 471)</b>	<b>124 896</b>
Transport assets*	12 475	418	8 574	(2 145)	19 322
Computer equipment	16 457	(2 358)	1 972	(7 237)	8 834
Furniture and office equipment	41 311	(4 209)	14 352	(3 528)	47 926
Other machinery and equipment	40 307	3 754	11 314	(6 561)	48 814
<b>Total movable tangible capital assets</b>	<b>110 550</b>	<b>(2 395)</b>	<b>36 212</b>	<b>(19 471)</b>	<b>124 896</b>

### 29.1 Additions

### Additions to movable tangible capital assets per asset register for the year ended 31 March 2010

	Cash	Non-cash	(Capital work in progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>23 453</b>	<b>12 594</b>	<b>-</b>	<b>165</b>	<b>36 212</b>
Transport assets	8 574	-	-	-	8 574
Computer equipment	54	1 918	-	-	1 972
Furniture and office equipment	7 358	6 845	-	149	14 352
Other machinery and equipment	7 467	3 831	-	16	11 314
<b>Total additions to movable tangible capital assets</b>	<b>23 453</b>	<b>12 594</b>	<b>-</b>	<b>165</b>	<b>36 212</b>

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## 29.2 Disposals

### Disposals of movable tangible capital assets per asset register for the year ended 31 March 2010

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>1 045</b>	<b>18 426</b>	<b>19 471</b>	-
Transport assets	*1 045	1 100	2 145	-
Computer equipment	-	7 237	7 237	-
Furniture and office equipment	-	3 528	3 528	-
Other machinery and equipment	-	6 561	6 561	-
<b>Total disposal of movable tangible capital assets</b>	<b>1 045</b>	<b>18 426</b>	<b>19 471</b>	-

\* The two vehicles were auctioned at an amount less than the cost price of R1 045 and this is recorded as a disposal amount in the table above and not the actual amount sold for cash.

## 29.3 Movement for 2008/09

### Movement in movable tangible capital assets per asset register for the year ended 31 March 2009

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>112 823</b>	<b>18 722</b>	<b>(20 995)</b>	<b>110 550</b>
Transport assets	12 475	-	-	12 475
Computer equipment	27 530	1 790	(12 863)	16 457
Furniture and office equipment	36 998	10 930	(6 617)	41 311
Other machinery and equipment	35 820	6 002	(1 515)	40 307
<b>Total movable tangible assets</b>	<b>112 823</b>	<b>18 722</b>	<b>(20 995)</b>	<b>110 550</b>

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## 29.4 Minor assets

### Minor assets of the Department as at 31 March 2010

	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Minor assets	-	-	84 602	-	84 602
<b>Total</b>	<b>-</b>	<b>-</b>	<b>84 602</b>	<b>-</b>	<b>84 602</b>
Number of R1 minor assets	-	-	18 387	-	18 387
<b>Total number of minor assets</b>	<b>-</b>	<b>-</b>	<b>18 387</b>	<b>-</b>	<b>18 387</b>

### Minor assets of the Department as at 31 March 2009

	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Minor assets	-	-	82 177	-	82 177
<b>Total</b>	<b>-</b>	<b>-</b>	<b>82 177</b>	<b>-</b>	<b>82 177</b>
Number of minor assets	-	-	101 258	-	101 258
<b>Total number of minor assets</b>	<b>-</b>	<b>-</b>	<b>101 258</b>	<b>-</b>	<b>101 258</b>

## 30. Intangible capital assets

### Movement in intangible capital assets per asset register for the year ended 31 March 2010

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Computer software	30	23	5	(28)	30
Services and operating rights	23	-	-	-	23
<b>Total intangible capital assets</b>	<b>53</b>	<b>23</b>	<b>5</b>	<b>(28)</b>	<b>53</b>

# Annual Financial Statements

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

## 30.1 Additions

### Additions to intangible capital assets per asset register for the year ended 31 March 2010

	Cash	Non-cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Computer software	5	-	-	-	5
<b>Total additions to intangible capital assets</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>

## 30.2 Disposals

### Disposals of intangible capital assets per asset register for the year ended 31 March 2010

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
Computer software	-	28	28	-
<b>Total disposals of intangible capital assets</b>	<b>-</b>	<b>28</b>	<b>28</b>	<b>-</b>

## 30.3 Movement for 2008/09

### Movement in intangible capital assets per asset register for the year ended 31 March 2009

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Computer software	7 028	-	(6 998)	30
Services and operating rights	23	-	-	23
Other intangibles	71	-	(71)	-
<b>Total intangible capital assets</b>	<b>7 122</b>	<b>-</b>	<b>(7 069)</b>	<b>53</b>

## 31. Immovable tangible capital assets

### Movement in immovable tangible capital assets per asset register for the year ended 31 March 2010

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>Buildings and other fixed structures</b>	<b>24 841</b>	<b>(24 841)</b>	<b>2 379</b>	<b>(2 052)</b>	<b>327</b>
Non-residential buildings	24 841	(24 841)	2 379	(2 052)	327
<b>Total immovable tangible capital assets</b>	<b>24 841</b>	<b>(24 841)</b>	<b>2 379</b>	<b>(2 052)</b>	<b>327</b>

Prior year the amount of R24 841 was transferred to the Department of Public Works for the completion of the Department's capital works projects.

# Annual Financial Statements

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

## 31.1 Additions

### Additions to immovable tangible capital assets per asset register for the year ended 31 March 2010

	Cash	Non-cash	(Capital work in progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Building and other fixed structures</b>	<b>2 087</b>	<b>156</b>	<b>-</b>	<b>136</b>	<b>2 397</b>
Non-residential buildings	2 087	156	-	136	2 397
<b>Total additions to immovable tangible capital assets</b>	<b>2 087</b>	<b>156</b>	<b>-</b>	<b>136</b>	<b>2 397</b>

## 31.2 Disposals

### Disposals of immovable tangible capital assets per asset register for the year ended 31 March 2010

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
<b>Buildings and other fixed structures</b>	<b>-</b>	<b>(2 052)</b>	<b>(2 052)</b>	<b>-</b>
Non-residential buildings	-	(2 052)	(2 052)	-
<b>Total disposals of immovable tangible capital assets</b>	<b>-</b>	<b>(2 052)</b>	<b>(2 052)</b>	<b>-</b>

## 31.3 Movement for 2008/09

### Movement in immovable tangible capital assets per asset register for the year ended 31 March 2009

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>Buildings and other fixed structures</b>	<b>21 474</b>	<b>3 367</b>	<b>-</b>	<b>24 841</b>
Non-residential buildings	21 474	3 367	-	24 841
<b>Total immovable tangible assets</b>	<b>21 474</b>	<b>3 367</b>	<b>-</b>	<b>24 841</b>

## Annual Financial Statements

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2010

## 32. World Cup expenditure

	Quantity	2009/10 R'000	2008/09 R'000
<b>Tickets acquired</b>	-	-	-
<b>Distribution of tickets</b>			
Stakeholders	-	-	-
SMS officials (Level 16-13)	-	-	-
Non-SMS officials (Level 12 and below)	-	-	-
Family members of officials	-	-	-
Other government entities	-	-	-
Audit Committee members	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2009/10	2008/09
<b>Travel costs</b>		
Stakeholders	-	-
SMS officials (Level 16-13)	-	-
Non-SMS officials (Level 12 and below)	-	-
Family members of officials	-	-
Other government entities	-	-
Audit Committee members	-	-

	Quantity	R'000
<b>Purchase of other world cup apparel after year-end (31 March 2010)</b>		
Noise Blasters	700	46
Window Signage	14	17
	<b>714</b>	<b>63</b>
<b>Total world cup expenditure</b>		<b>63</b>

	Quantity	R'000
<b>Tickets acquired after year-end (31 March 2010)</b>	-	-

	Quantity	R'000
<b>Distribution of tickets acquired after year-end</b>		
Stakeholders	-	-
SMS officials (Level 16-13)	-	-
Non-SMS officials (Level 12 and below)	-	-
Family members of officials	-	-
Other government entities	-	-
Audit Committee members	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

# Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

## Annexure 1A Statement of unconditional grants and transfers to municipalities

Name of municipality	Grant allocation				Transfer		Spent			2008/09
	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
Mun B/ Acc Vehicle Licences Mun	-	-	1	1	1	100%	-	-		-
	-	-	1	1	1		-	-		-

## Annexure 1B Statement of transfers to departmental agencies and accounts

Department/ agency/ account	Transfer allocation				Transfer		2008/09
	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	8 976	-	-	8 976	6 013	67%	6 366
Unemployment Insurance Fund	1	-	-	1	-	-	-
Commission for Conciliation, Mediation and Arbitration	324 442	-	32 000	356 442	356 442	100%	261 710
Productivity South Africa	29 476	-	-	29 476	29 476	100%	41 138
National Skills Fund	48 951	-	-	48 951	48 951	100%	46 949
Strength Civil Soc Lab Reb Trans {Development Institute for Training, Support and Education for Labour (DITSELA)}	13 795	-	-	13 795	13 795	100%	15 903
National Economic Development and Labour Council (NEDLAC)	14 554	-	5 000	19 554	19 554	100%	13 959
<b>Statutory:</b>							
Sector Education and Training Authorities	6 199 984	-	52 461	6 252 445	6 252 445	100%	5 787 308
National Skills Fund (20%)	1 549 996	-	13 115	1 563 111	1 563 111	100%	1 446 827
	<b>8 190 175</b>	-	<b>102 576</b>	<b>8 292 751</b>	<b>8 289 787</b>		<b>7 620 160</b>

# Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

## Annexure 1C

### Statement of transfers/subsidies to public corporations and private enterprises

Name of public corporation/ private enterprise	Transfer allocation				Expenditure				2008/09
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public corporations transfers</b>									
Umsobomvu Youth Fund	227 250	-	-	227 250	227 250	100%	-	-	5 080
Non-life Insurance	-	-	45	45	45	100%	-	-	-
Exgratia payments	-	-	530	530	530	100%	-	-	-
<b>Total</b>	<b>227 250</b>	<b>-</b>	<b>575</b>	<b>227 825</b>	<b>227 825</b>		<b>-</b>	<b>-</b>	<b>5 080</b>

## Annexure 1D

### Statement of transfers to foreign governments and international organisations

Foreign governments/international organisations	Transfer allocation				Expenditure		2008/09
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
International Labour Organisation	8 718	-	-	8 718	8 152	94%	9 777
African Regional Labour Adm. Centre	577	-	-	577	466	81%	600
<b>Total</b>	<b>9 295</b>	<b>-</b>	<b>-</b>	<b>9 295</b>	<b>8 618</b>		<b>10 377</b>

## Annexure 1E

### Statement of transfers to non-profit institutions

Non-profit institutions	Transfer allocation				Expenditure		2008/09
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
SA National Council for the Blind	260	-	-	260	178	68%	237
Deaf Federation of South Africa	173	-	-	173	110	64%	105
National Council for the Physical Disabled	210	-	-	210	200	95%	159
Workcentres for people with disabilities	52 146	-	17 950	70 096	70 096	100%	95 411
Workcentres for the blind	7 733	-	-	7 733	7 733	100%	7 365
<b>Total</b>	<b>60 522</b>	<b>-</b>	<b>17 950</b>	<b>78 472</b>	<b>78 317</b>		<b>103 277</b>



# Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

## Annexure 1F Statement of transfers to households

Households	Transfer allocation				Expenditure		2008/09
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
Leave gratuity	39	-	1 395	1 434	1 434	100%	1 051
Retirement benefits	-	-	67	67	67	100%	179
Severance package	1 500	-	468	1 968	1 968	100%	2 203
Exgratia payments	530	-	(419)	111	111	100%	-
<b>Total</b>	<b>2 069</b>	<b>-</b>	<b>1 511</b>	<b>3 580</b>	<b>3 580</b>		<b>3 433</b>

## Annexure 1F Statement of gifts, donations and sponsorships made and remissions, refunds and payments made as an act of grace

Nature of gift, donation or sponsorship	2009/10	2008/09
	R'000	R'000
Households	-	62
Public corporations	-	644
Non-profit institutions	-	500
<b>Total</b>	<b>-</b>	<b>1 206</b>

## Annexure 2A Statement of financial guarantees issued as at 31 March 2010 – local

Guarantor institution	Guarantee in respect of:	Original guaranteed capital amount	Opening balance 1 April 2009	Adjustment to opening balance	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Stannic	Motor vehicles	191	191	-	-	(74)	117	-	-
	<b>Housing</b>								
Standard Bank of SA Limited	Housing Loan Guarantee	1 726	1 726	88	-	(177)	1 637	-	-
Nedbank Limited (former Cape of Good Hope)	Housing Loan Guarantee	15	15	16	-	-	31	-	-
Nedbank Limited	Housing Loan Guarantee	1 493	1 493	48	-	(94)	1 447	-	-
Firststrand Bank Limited: FNB	Housing Loan Guarantee	1 511	1 511	496	-	(115)	1 892	-	-

## Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Adjustment to opening balance	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Nedbank LTD Incorporating BOE	Housing Loan Guarantee	9	9	-	-	-	9	-	-
MEEG Bank	Housing Loan Guarantee	25	25	-	-	-	25	-	-
ABSA	Housing Loan Guarantee	3 193	3 193	547	60	(379)	3 421	-	-
Company Unique Finance (PTY)	Housing Loan Guarantee	179	179	-	15	(117)	77	-	-
Old Mutual Finance Limited	Housing Loan Guarantee	80	80	-	-	-	80	-	-
Peoples Bank (former FBC Fidelity Bank)	Housing Loan Guarantee	328	328	159	-	(110)	377	-	-
Nedbank LTD Incorp. NBS (former Peoples Bank NBS)	Housing Loan Guarantee	591	591	219	-	(62)	748	-	-
Firststrand Bank Limited: FNB (former Saambou)	Housing Loan Guarantee	891	891	200	-	(305)	786	-	-
Old Mutual Bank Division of Nedbank (former PERM)	Housing Loan Guarantee	1 298	1 298	296	-	(103)	1 491	-	-
Future Bank Corporation Limited	Housing Loan Guarantee	14	14	-	-	-	14	-	-
GBS Mutual Bank	Housing Loan Guarantee	-	-	13	-	-	13	-	-
Ithala Limited	Housing Loan Guarantee	15	15	-	-	-	15	-	-
Free State Development Corporation	Housing Loan Guarantee	113	113	-	-	-	113	-	-
VBS Mutual Bank	Housing Loan Guarantee	66	66	-	-	-	66	-	-
Mpumalanga Housing Finance Unibank	Housing Loan Guarantee	43	43	-	-	-	43	-	-
Albaraka Bank	Housing Loan Guarantee	11	11	-	-	-	11	-	-
BOE Bank Limited	Housing Loan Guarantee	19	19	-	-	-	19	-	-

# Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Adjustment to opening balance	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
SA Home loans (PTY) LTD	Housing Loan Guarantee	34	34	-	-	-	34	-	-
<b>Total</b>		<b>11 845</b>	<b>11 845</b>	<b>2 082</b>	<b>75</b>	<b>(1 536)</b>	<b>12 466</b>	<b>-</b>	<b>-</b>

## Annexure 2B

### Statement of contingent liabilities as at 31 March 2010

Nature of liability	Opening balance 1 April 2009	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable	Closing balance 31 March 2010
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the Department</b>					
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
C J de Vries (12/5/1/18/LM)	1	-	(1)	-	-
Local News Network (Pty) Ltd (12/2/1/55/ZB)	4	-	-	-	4
Fernhill Hotel (12/1/5/317/NR) hfkds	20	-	-	-	20
D Ntombela (12/1/5/318/NR)	25	-	-	-	25
SASA WU : NP Gwazela Case P53/06 (SM/PSG 925 – 04/05)	530	-	(530)	-	-
Dian Uys Brink (12/5/1/313/BT)	1 412	-	(1 412)	-	-
<b>Other</b>					
Resulting from a contractual dispute with the landlord of the building occupied by the KZN Provincial Office. This matter is under legal advice with possible material breach of contract.	-	-	-	-	-
<b>Total</b>	<b>2 861</b>	<b>-</b>	<b>(2 427)</b>	<b>-</b>	<b>434</b>

# Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

## Annexure 3 Claims recoverable

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Correctional Service	27	68	-	-	27	68
Agriculture	18	80	-	-	18	80
Education	109	157	-	-	109	157
Foreign Affairs	489	87	-	966	489	1 053
Health	229	168	-	-	229	168
Public Works	70	157	-	-	70	157
Traditional Local Government Affairs	-	12	-	-	-	12
Gauteng Shared Services	27	27	-	-	27	27
KwaZulu-Natal Provincial Government	-	33	-	-	-	33
Social Development	102	47	-	-	102	47
Justice and Constitutional Development	46	57	-	-	46	57
Communications	-	17	-	-	-	17
The Presidency	41	63	-	-	41	63
Home Affairs	10	17	-	-	10	17
Transport	8	23	-	-	8	23
Water Affairs and Forestry	43	72	-	-	43	72
National Treasury	13	28	-	-	13	28
Mineral and Energy	54	21	-	-	54	21
Safety and Security	49	9	-	-	49	9
Economical Development	8	21	-	-	8	21
Statistics	12	29	-	-	12	29
Welfare Population Development	-	29	-	-	-	29
Housing	12	33	-	-	12	33
Public Service Commission	26	39	-	-	26	39
KZN Office of the Premier	9	9	-	-	9	9
Trade Industry	130	-	-	-	130	-
DPSA	39	-	-	-	39	-
Defence	25	-	-	-	25	-
Art and Culture	10	-	-	-	10	-
<b>Other government entities</b>			-	-		
Compensation Fund	6 117	16 182	-	-	6 117	16 182
National Skills Fund (NSF)	2 775	5 646	-	-	2 775	5 646
Unemployment Insurance Fund	5 759	15 420	-	-	5 759	15 420
Government Employees Pension Fund (GEPPF)	47	49	-	-	47	49
South African Social Security Agency	64	34	-	-	64	34
<b>Private enterprises</b>						
Companies Intellectual Properties Registration	21	21	-	-	21	21
Siemens	-	22	-	-	-	22
<b>Total</b>	<b>16 389</b>	<b>38 677</b>	<b>-</b>	<b>966</b>	<b>16 389</b>	<b>39 643</b>

# Annual Financial Statements

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2010

## Annexure 4 Inter-government payables

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Departments</b>						
<b>Current</b>						
Justice	-	-	1 548	82	1 548	82
Compensation Fund	-	118	-	-	-	118
Public Works	-	-	-	12 846	-	12 846
Provincial Treasury	-	-	-	354	-	354
Public Administration	-	-	-	42	-	42
International Relations and Cooperation	-	-	463	-	463	-
PALAMA	-	-	474	-	474	-
<b>Total</b>	-	<b>118</b>	<b>2 485</b>	<b>13 324</b>	<b>2 485</b>	<b>13 442</b>

## Annexure 5 Inventory

	Note	Quantity	2009/10
<b>Inventory</b>			<b>R'000</b>
Opening balance		402 967	<b>6 931</b>
Add: additions/purchases - cash		1 414 228	<b>51 182</b>
(Less): disposals		(12 610)	<b>(46)</b>
(Less): issues		(1 328 999)	<b>(42 274)</b>
Add/(Less): adjustments		17 141	<b>4 795</b>
<b>Closing balance</b>		<b>492 727</b>	<b>20 588</b>

# Annual Financial Statements

*Sheltered Employment Factories*  
*Annual Financial Statements for the year ended 31 March 2010*

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# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Auditor-General for the year ended 31 March 2010*

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SHELTERED EMPLOYMENT FACTORIES FOR THE YEAR ENDED 31 MARCH 2010

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the Sheltered Employment Factories (SEF), which comprise the statement of financial position as at 31 March 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Basis for adverse opinion

#### Inventories

7. According to IAS 2 the costs of conversion of inventories must include costs directly related to the units of production, such as direct labour. They must also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished

## Annual Financial Statements

*Sheltered Employment Factories*

*Report of the Auditor-General for the year ended 31 March 2010*

goods. Included in the comparative (2009) figure for inventories amounting to R15.8 million as disclosed in note 5 to the financial statements is R1.5 million relating to direct labour and manufacturing overhead costs. These costs were allocated to work in progress and finished goods for wood and metal products using a historic allocation rate as the basis for calculating the valuation of inventories. I was unable to obtain assumptions made to determine the rate used. Consequently, I could not satisfy myself as to the valuation of wood and metal work in progress and finished goods. My opinion for the period ended 31 March 2009 was modified and my opinion on the current period financial statements are also modified because of the possible effect of this matter on the corresponding figures.

### Cost of sales

8. According to IAS 2 the allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognised as an expense in the period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. In addition to this IAS 2 states that when inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. Costs relating to the production of the items sold has been incorrectly classified as operating expenditure thereby understating cost of sales by R1.839 million (R 1.516 million: 2009)

### Property plant and equipment

9. According to IAS 16 assets should be recognised if the future economic benefit will flow to the entity and the cost can be measured reliably. SEF has not recognised assets with a cost below R3 000 (minor assets), but expensed these assets as expenditure in the year of acquisition. These assets have been included at a cost of R1 each in the value of property plant and equipment as disclosed in note 4 of the financial statements. In addition to the above, assets with an estimated value of R0.180 million which are still in use have not been recorded in the accounting records. The understatement of minor assets and other unrecorded assets have resulted in material understatement of property plant and equipment amounting to R1.482 million.
10. According to IAS 16 the carrying amount of the assets should be derecognised when the asset is disposed or when no future economic benefits are expected from its use or disposal. SEF disclosed assets that were disposed in the prior financial year as disposals for the current year. This resulted in the understatement of the carrying value of property, plant and equipment as disclosed in note 4 of the financial statements for the current year amounting to R0.954 and understatement of reserves amounting to R0.954 million. The prior period carrying value of property plant and equipment (2009 comparative figure) is overstated and prior year reserves is overstated by R0.996 million. In addition to this the loss on disposal of the assets was incorrectly recorded in the current year which resulted in the overstatement of profit on disposal of assets as included in the other revenue on the statement of comprehensive income amounting to R0.112 million and an understatement of the profit on disposal of assets for the comparative (2009) figure amounting to R1.009 million.
11. The current year depreciation of R1.669 million and reversal of depreciation due to reassessment of R0.954 million disclosed in note 4 to the financial statements, does not agree to the depreciation expense of R0.360 million per the underlying accounting records. This error was limited to the disclosure of note 4 and did not affect the statement of comprehensive income.
12. The prior year (2009) reversal of depreciation due to reassessment of R1.308 million disclosed in note 4 is overstated by R1.172 million, due to inclusion of an error correction for years prior to 2009.



# Annual Financial Statements

*Sheltered Employment Factories*

*Report of the Auditor-General for the year ended 31 March 2010*

## Disclosure

### Irregular expenditure

13. Section 38(1)(a)(iii) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) requires the entity to implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. Payments amounting to R22.817 million were made in contravention of the supply chain management requirements. The amount was not included in irregular expenditure, disclosed in note 22 to the financial statements, resulting in irregular expenditure being understated by R22.817 million.

### Related parties

14. According to IAS 24 an entity shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. In addition the standard also requires disclosure of key management personnel compensation. The entity did not disclose the related party identity, nature of relationship and transactional information for the following amounts as disclosed in note 19:

- Balances arising from sale of goods amounting to R14.778 million (R14.802 million: 2009)
- Impairment provision on balances arising from sale to related party transactions amounting to R8.376 million (R8.740 million: 2009)
- Services provided by related parties – municipalities amounting to R0.112 million (R0.116 million)
- Yearly sale of goods to related parties amounting to R36.895 million (R46.982 million)
- Services provided by related parties – municipalities amounting to R3.156 million (R2.611 million)
- Compensation to key management personnel amounting to R2.128 million (R2.477 million).

15. Significant control weaknesses regarding the identification and recording of related-party transactions existed at the SEF which increased the risk of unrecorded related-party transactions. I was unable to obtain sufficient and appropriate audit evidence to determine the completeness of the current period related-party closing balance amounting to R23.838 million and the current period related-party transactions amounting to R46.070 million.

16. Due to a lack of sufficient and appropriate audit evidence I could not perform alternative procedures.

### Defined contributions plan

17. According to IAS 19 an entity shall disclose the amount recognised as an expense for defined contribution plans. As disclosed in note 24, the entity did not include the 2009 comparative figures amounting to R1.444 million.

### Operating leases

18. According to IAS 17, lessees shall disclose the total of future minimum lease payments for operating leases. The entity did not disclose the operating lease commitment for the minimum future lease payment. The misstatement could not be quantified, due to limitation of audit scope.

## Annual Financial Statements

*Sheltered Employment Factories  
Report of the Auditor-General for the year ended 31 March 2010*

### Cash flow statement

19. According to IAS 7, an entity shall disclose the major classes of gross cash receipts and gross cash payments separately under the direct method. In determining the gross cash receipts and gross cash payments an entity shall exclude transactions of a non-cash nature. Misstatements occurred with regards to the classification of cash transactions and exclusion of non-cash transactions for the following items as disclosed in the statement of cash flows:

- Overstatement of the cash receipts from customers amounting to R5.152 million (understatement amounting to R8.416 million for 2009).
- Overstatement of cash paid to suppliers and employees amounting to R3.844 million (understatement amounting to R8.416 million for 2009).
- Understatement in proceeds from sale of property, plant and equipment amounting to R0.954 million.

### Trade and other payables

20. The Value Added Tax (VAT) suspense account of R0.431 million, as disclosed in note 11 to the financial statements, does not agree to the balance of R0.564 million per the underlying records. The entity could not provide adequate explanation or supporting documentation for the unreconciled amounts in the suspense account. Due to the limitation on audit scope I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.

### Adverse Opinion

21. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of the Sheltered Employment Factories for the year ended 31 March 2010 and its statement of comprehensive income and its cash flows for the year then ended in accordance with the South African Standards of Generally Accepted Accounting Practice (SA Standards of GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

### Emphasis of matter

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

#### Restatement of corresponding figures

23. Misstatements in the corresponding figures were identified during our audit of the financial statements of the current year relating to property, plant and equipment, trade and other payables and cost of sales. As disclosed in note 20, SEF corrected the misstatement by restating the corresponding figures.

#### Unauthorised fruitless and wasteful and irregular expenditure

24. As disclosed in note 23 of the AFS, SEF has incurred irregular expenditure of R3.234 million (13.206 million: 2009) for engaging with suppliers without following the requirements of prescribed supply chain management.

25. As disclosed in note 25 of the AFS, SEF has incurred fruitless and wasteful expenditure of R11 000 for overpayment of salaries to resigned employees.

# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Auditor-General for the year ended 31 March 2010*

## Material losses through criminal conduct

26. As disclosed in note 21 of the AFS, SEF has suffered an unrecovered loss of R598 518 due to a fraudulent intercepting by unknown parties of cash cheques from SEF debtors.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

27. In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, and financial management (internal control).

## REPORT ON PRE-DETERMINED OBJECTIVES

### Non-compliance with regulatory requirements

#### Compliance with laws and regulations

28. The accounting officer of the trading entity did not prepare a strategic plan as required by TR 5.1.1. The entity therefore did not report against predetermined objectives.

### Public Finance Management Act (PFMA).

#### Non adherence to requirements

29. The Accounting Officer did not comply with the requirements of the PFMA as prescribed by section 38(1)(a) to have and maintain effective, efficient and transparent systems of financial and risk management and internal control. This was due to a lack of approved and implemented policies and procedures to govern the processes of the entity as well as not appointing officials for key financial vacancies existing in the entity.

30. The Accounting officer did not comply with the reporting responsibilities to ensure that full and proper records of the financial affairs of the trading entity was kept in accordance with any prescribed norms and standards as set out by PFMA section 40(a); numerous instances of discrepancies between the financial statements and the entities accounting records were found. In addition the accounting officer did not ensure that the financial statements was prepared in accordance with generally accepted accounting practice as prescribed by PFMA section 40(b).

31. A budget was not submitted and approved by the executive authority as prescribed by PFMA section 50.

### Treasury Regulations (TR)

#### Non adherence to requirements

32. Sheltered Employment Factories did not conduct a risk assessment as required by TR3.2.1; consequently, a number of control deficiencies were identified.

33. The SEF fraud prevention plan has not been approved as required by TR3.2.1.

34. The accounting officer did not ensure establishment of systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management as prescribed by TR15.10.1. Weak controls exist over bank reconciliations. Transactions for the call account and petty cash was not adequately recorded in the accounting

## Annual Financial Statements

*Sheltered Employment Factories  
Report of the Auditor-General for the year ended 31 March 2010*

records.

35. The accounting officer did not avoid prepayment of goods in advance as required by TR15.10.1.
36. The accounting officer did not take appropriate steps to collect outstanding money timeously as prescribed by TR 11.2.
37. The accounting officer did not ensure that the VAT control account was cleared on at least a monthly basis as prescribed by TR17.1.2 (b).
38. The accounting officer did not ensure that all the transactions were supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation, as prescribed by TR 17.1.1.

### Prohibited actions

39. Sheltered Employment Factories did not comply with TR16A6.1 as there were no competitive bids for procurement of goods above the stipulated threshold values determined by National Treasury.
40. The accounting officer did not exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure as set out in TR9.1.1.

### INTERNAL CONTROL

41. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and SDA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

- **Leadership**

#### Oversight responsibility

The accounting officer does not exercise oversight responsibility over financial reporting, compliance with laws and regulations and internal control.

- **Financial and performance management**

#### Quality, reliable monthly financial statements and management information

42. The entity does not have competent individuals who understand the financial reporting framework and performance management requirements as well as the use of the information systems. The entity relies heavily on the use of consultants, but does not have the capacity to evaluate the quality and adequacy of the work performed by them. This has led to annual financial statements not complying with the financial reporting framework (SA GAAP) as well as significant adjustments to the initial set of financial statements submitted for auditing.

#### Adequate financial management systems

Information systems are not appropriately designed to facilitate the preparation of the financial statements and performance reports.

- **Governance**

#### Risk identification and management

43. The entity does not have a formal risk assessment process. Therefore risks of material misstatements and also risk of non-compliance to statutory requirements have not been

## Annual Financial Statements

*Sheltered Employment Factories*

*Report of the Auditor-General for the year ended 31 March 2010*

identified and appropriately addressed by implementation of governance activities.

### **Internal audit that inspects the adequacy and implementation of internal control**

44. The ongoing monitoring and supervision undertaken are not sufficient to assist the entity to enable timely assessment of the effectiveness of internal control over financial and performance reporting. Consequently misstatement in individual transactions have occurred on a repetitive basis and not been detected.

### **Adequacy of systems preparation of the report on predetermined objectives**

45. Manual and automated controls are not designed to ensure that the transactions for reporting of predetermined objectives have occurred and are completely and accurately processed.

46. The information systems in use are not appropriate to facilitate the preparation of reports on predetermined objectives.

*Auditor-General*

Pretoria

30 July 2010



## Annual Financial Statements

*Sheltered Employment Factories  
Financial Statements for the year ended 31 March 2010*

### **Statement of Responsibility by the Accounting Officer**

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

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

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

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

The financial statements were approved by the Director-General on 31 May 2010.



S. Morotoba

Acting Director-General of Labour

30 July 2010

# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Accounting Officer for the year ended 31 March 2010*

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 Sheltered Employment Factories (SEF) were established in 1943 to provide employment for people with mental and physical disabilities that prevented them from entering the open labour market due to the nature of their afflictions. Of the 1 095 factory workers currently employed, 80% are intellectual/ mentally/ psychologically challenged. The factories are open to all races.

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

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

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

### **Results of operations**

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

### **Registered Office (Under the auspices of the Department of Labour)**

221 Moreleta Street, Silverton, 0184

### **Accounting Officer**

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

### **Auditor**

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

### **Going concern**

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

### **Events subsequent to balance sheet date**

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

# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Accounting Officer for the year ended 31 March 2010*

## SCOPA resolutions

Reference to previous audit report and SCOPA resolutions	Subject	Findings/ progress
SCOPA report	Supply Chain Management	
	No competitive bids	<p>The practice of obtaining competitive quotes from known suppliers has been in place for many years.</p> <p>It needs to be noted however that there are limited suppliers of major raw materials such as locally produced fabric that meets SABS certification for hospital linen, and saligna wood for school furniture.</p> <p>There is a supplier database in place. To ensure that the supplier database is complete a detailed set of specifications has been compiled for all major raw materials. Approval to advertise these in the Government Tender Bulletin is being sought through the Departmental Subtender Committee.</p> <p>Respondents to the advertisement will then be evaluated by the Departmental Bid Adjudication Committee and approved suppliers added to the existing supplier data base.</p>
	No valid transport contract.	<p>Transport issues have been resolved and courier services are being utilised in terms of the State contract arranged by National Treasury. In cases where courier services are not utilised, transport services are procured on a 3-quote basis by making use of the database of service providers.</p>
	Availability of skilled staff	<p>The project to restructure the factories is progressing well with assistance from the Technical Assistance Unit of the National Treasury.</p> <p>Population of organisation structures will be progressed when the transformation plan is approved.</p>
	Impairment of redundant assets	<p>The SEF is now fully compliant with SA GAAP.</p> <p>Redundant/ obsolete fixed assets have been identified and provisions made in the Annual Financial Statements for impairment.</p> <p>A depreciation policy was developed in March 2007 and supported by the SEF Management Committee on 23 January 2009. The policy is being applied and asset values are correctly reported in the Annual Financial Statements.</p>



# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Accounting Officer for the year ended 31 March 2010*

## Prior modifications to audit reports

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<b>Matters affecting the Audit Report</b>		
Emphasis of matter: Irregular expenditure not disclosed in the Annual Financial Statements: Tax Certificate not obtained when the contract was extended to one of the transport suppliers. Irregular expenditure in the amount of R 3 559 526 was incurred.	31 March 2009	Resolved.
Cell phone allowance not taxed.	31 March 2009	Target 30/4/2010.
Cell phone contracts paid for former employees in the amount of R16 859.	31 March 2009	Resolved.
Storage fees paid for redundant equipment obtained from INDLELA but not owned by SEF, in the amount of R94 392.	31 March 2009	Resolved.
Impaired assets have been depreciated.	31 March 2009	Resolved.
Estimation of useful lives of assets.	31 March 2009	Resolved.
Prior period error: omission of leased asset.	31 March 2009	Resolved.
Leave provision balance recorded at incorrect amounts.	31 March 2009	Resolved.
Input VAT not claimed on Vat inclusive transactions.	31 March 2009	Resolved.
Fraudulent cheques on debtors.	31 March 2009	Resolved.
Inadequate cut-off procedures on revenue.	31 March 2009	Resolved.
Valuation of finished goods and work in progress for wood and metal not in accordance with AC 123.	31 March 2009	Resolved.
Cost of sales not in accordance with SA GAAP statements.	31 March 2009	Resolved.
Inadequate cut-off procedures on inventory resulting in misstatement.	31 March 2009	Resolved.
Incorrect disclosure made on the financial statements.	31 March 2009	Resolved.

# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Accounting Officer for the year ended 31 March 2010*

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<b>Other important matters</b>		
Policies are in draft format.	31 March 2009	Resolved.
Vacant key personnel positions.	31 March 2009	Ongoing.
<b>Matters affecting the Audit Report</b>		
Non compliance to PFMA – Budget.	31 March 2009	Resolved.
Risk assessment process not performed regularly.	31 March 2009	Resolved.
No process in place to identify commitments.	31 March 2009	Target 30/4/2010.
Differences on payroll and EFT report regarding net salary.	31 March 2009	Resolved.
Miss allocation of employee cost figures.	31 March 2009	Resolved.
Reconciliations not properly performed for major supplier accounts.	31 March 2009	Resolved.
No contracts for recurring purchases over R150 000.	31 March 2009	Resolved.
No criteria for approving suppliers on supplier list.	31 March 2009	Resolved.
Financial policies and procedure not detailed to document process followed.	31 March 2009	Resolved.
Request for purchase of capital item form not completed.	31 March 2009	Resolved.
Payment could not be traced to the general ledger account.	31 March 2009	Resolved.
Debtor finance charges incorrectly calculated.	31 March 2009	Resolved.
Weaknesses on debtors finance charges.	31 March 2009	Resolved.
Revenue: Credit notes incorrectly accounted for in the records of SEF.	31 March 2009	Resolved.
Approved price list not in use.	31 March 2009	Resolved.

# Annual Financial Statements

*Sheltered Employment Factories  
Report of the Accounting Officer for the year ended 31 March 2010*

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<b>Matters affecting the Audit Report</b>		
Discrepancies on delivery notes.	31 March 2009	Resolved.
No control over changes to Bill of materials(Masterfile amendments).	31 March 2009	Resolved.
Stock code differs from Workorder to Bill of materials.	31 March 2009	Resolved.
Bill of material not signed.	31 March 2009	Resolved.
Adjustments made to stock with no supporting documentation.	31 March 2009	Resolved.
VAT policy not yet approved.	31 March 2009	Resolved.
Accounts not in the name of SEF.	31 March 2009	Target 31/05/2010.
<b>Administrative matters</b>		
Evidence of conducting interview prior to appointing a new employee could not be obtained for audit purpose.	31 March 2009	Resolved.
Completed sick leave form not submitted.	31 March 2009	Resolved.
Output VAT accounted for on financial service transactions.	31 March 2009	Resolved.

## Approval

The Annual Financial Statements have been approved by the Accounting Officer.



S Morotoba

Acting Director-General of Labour

30 July 2010

# Annual Financial Statements

*Sheltered Employment Factories*  
Statement of Financial Position as at 31 March 2010

	Note	2009/10 R'000	2008/09 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8 911	10 370
Intangible assets	5	-	3
		<u>8 911</u>	<u>10 373</u>
<b>Current assets</b>			
Inventories	6	13 784	15 804
Trade and other receivables	7	8 814	7 509
Prepayments		-	39
Cash and cash equivalents	8	13 061	21 722
		<u>35 659</u>	<u>45 074</u>
<b>Total assets</b>		<u>44 570</u>	<u>55 447</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Retained income		<u>22 379</u>	<u>24 993</u>
		<u>22 379</u>	<u>24 993</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance lease obligation	9	<u>134</u>	<u>128</u>
<b>Current Liabilities</b>			
Finance lease obligation	9	104	94
Deferred income	10	8 849	21 230
Trade and other payables	11	13 104	9 002
		<u>22 057</u>	<u>30 326</u>
<b>Total liabilities</b>		<u>22 191</u>	<u>30 454</u>
<b>Total equity and liabilities</b>		<u>44 570</u>	<u>55 447</u>

# Annual Financial Statements

*Sheltered Employment Factories*

*Statement of Comprehensive Income for the period ended 31 March 2010*

	Note	2009/10 R'000	2008/09 R'000
Revenue	12	43 621	56 974
Cost of sales		(29 451)	(38 003)
<b>Gross profit</b>		<b>14 170</b>	<b>18 971</b>
Other revenue		64 495	56 915
Operating expenses	19	(81 281)	(72 088)
<b>Operating (loss)/profit</b>	13	<b>(2 616)</b>	<b>3 798</b>
Investment revenue	15	26	183
Finance costs	16	(26)	(42)
<b>(Loss)/profit for the year</b>		<b>(2 616)</b>	<b>3 939</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/ income</b>		<b>(2 616)</b>	<b>3 939</b>

## Annual Financial Statements

*Sheltered Employment Factories*

*Statement of Changes in Equity for the period ended 31 March 2010*

	Retained income	Total equity
	R'000	R'000
<b>Balance at 1 April 2008</b>	21 056	21 056
Total comprehensive income for the year	2 631	2 631
Total changes	2 631	2 631
Opening balance as previously reported	23 687	23 687
Prior period error	1 308	1 308
<b>Balance at 1 April 2009 as restated</b>	24 995	24 995
Total comprehensive loss for the year	(2 616)	(2 616)
Total changes	(2 616)	(2 616)
<b>Balance at 31 March 2010</b>	22 379	22 379

# Annual Financial Statements

*Sheltered Employment Factories*  
*Statement of Cash Flows for the period ended 31 March 2010*

	Note	2009/10	2008/09
		R'000	R'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		97 607	136 620
Cash paid to suppliers and employees		(107 150)	(114 865)
Cash used in operations	18	(9 543)	21 755
Interest income		26	183
Finance costs		(2)	(42)
<b>Net cash from operating activities</b>		<b>(9 519)</b>	<b>21 896</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(125)	(250)
Sale of property, plant and equipment	4	1 066	-
<b>Net cash from investing activities</b>		<b>941</b>	<b>(250)</b>
<b>Cash flows from financing activities</b>			
Movement in employee benefits		-	-
Movement in other medical aid benefit		-	-
Finance lease payments		(83)	(172)
<b>Net cash from financing activities</b>		<b>(83)</b>	<b>(172)</b>
<b>Total cash , cash equivalents and bank overdrafts movement for the year</b>		<b>(8 661)</b>	<b>21 474</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		21 722	248
<b>Total cash, cash equivalents and bank overdrafts at end of the year</b>	8	<b>13 061</b>	<b>21 722</b>

# Annual Financial Statements

*Sheltered Employment Factories  
Accounting Policies for the period ended 31 March 2010*

## 1. Basis of preparation

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The Annual Financial Statements have been prepared on the historical cost basis, except for the measurement of certain classes of fixed assets measured at replacement value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

#### Trade receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Allowance for slow moving, damaged and obsolete stock

An allowance is made, to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

#### Inventory

Work in progress is valued, based on the stage of completion of goods, adding a percentage to the direct costs to account for overheads. These percentages range from 8.7% (2009: 8.7%) to 120% (2009:120%) of the direct costs. The total costs are considered to be less than the net realisable value of inventory.

### 1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.



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Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Plant and machinery	15 - 18 years
Furniture and fixtures	12 - 20 years
Office equipment	8 - 10 years
IT equipment	5 - 8 years
Appliances	8 - 12 years
Leased assets	3 - 5 years

The residual value and the useful life of each asset are reviewed at the end of each reporting period.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation is calculated on the straight line method over the useful lives of the assets.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Minor assets are written-off in the year of purchase.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### **1.3 Intangible assets**

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software	3 years

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### 1.4 Financial instruments

#### Initial recognition and measurement

Financial instruments comprise of receivables, payables and cash and cash equivalents. The entity does not have any derivatives.

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

#### Impairment of financial assets

At each reporting date the entity assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present

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value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

## Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

## 1.5 Tax

### Income Tax

Provision has not been made for taxation as the entity is exempt from income tax.

## 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### Finance leases

Finance leases are recognised as assets in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Leased assets are depreciated over the useful life of the asset or over the lease term, whichever is the shorter.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

### Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual

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payments are recognised as an operating lease asset. This asset is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision for obsolete stock is determined at 100% of the value of inventories that have not been used in production or sold for a period longer than 12 months.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of assets

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

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The entity determines the value in use of an asset by discounting the future cash flow values expected to be derived from the asset or cash generating unit.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

## 1.9 Employee benefits

### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Defined contribution plans

Payments to defined contribution retirement benefit plans 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 obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan. The SEF are also liable for other post retirement benefits, such as accumulated leave, to which workers become entitled to at retirement.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value and are calculated by management.

## 1.10 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss separately.

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Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

### 1.11 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the entity
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

### 1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services and manufacturing of goods is recognised as revenue in the current period is included in cost of sales.

### 1.14 Deferred income

Government grants related to assets, are presented in the balance sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

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### **1.15 Related parties**

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

### **1.16 Finance income**

Interest income and expenses are recognised, in profit or loss, using the effective interest rate method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as the interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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## 2. New standards and interpretations

### IAS 1 (AC 101) (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non owner changes in equity either in a single Statement of Comprehensive Income or in an Income Statement and Statement of Comprehensive Income
- Require the presentation of a Statement of Financial Position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes
- Have changed the titles to some of the Financial Statement components, where the 'balance sheet' becomes the 'Statement of Financial Position' and the 'cash flow statement' becomes the 'Statement of Cash Flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The entity has adopted the standard for the first time in the 2010 financial statements.

The impact of the standard is not material.

### May 2008 annual improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

### May 2008 annual improvements to IFRS's: Amendments to IAS 1 (AC 101) Presentation of financial statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

### May 2008 annual improvements to IFRS's: Amendments to IAS 16 (AC 123) Property, plant and equipment

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

## 3. Risk management

### Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the SEF are largely dependent on funding from the Department of Labour through parliamentary allocations, based on an approved budget submitted to the Department of Labour.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.



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### Liquidity risk

Sufficient cash is maintained to manage the entity's liquidity risk. Limitations are imposed by Treasury Regulation 32 to the Public Finance Management Act, 1999 (Act No. 1 of 1999) on borrowings, which limits the committed lines of credit available to the entity.

### Interest rate risk

As the entity has no significant interest bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

### Cash flow interest rate risk

### Fair value interest rate risk

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade creditors consist mainly of government departments of which surety vests in the National Treasury for any such debts owing. Other debtors comprise private sector trade debtors and staff debtors.

The entity's maximum exposure to credit risk is reflected in the carrying amounts as disclosed in notes 10 and 12. All balances with banks are neither past due nor impaired.

### Cash flow risk

The entity does not have interest bearing borrowings and is therefore not significantly exposed to interest rate risk.

#### 2010

	+0.5%	-0.5%
Bank balances	13 103 000	12 973 000

#### 2009

	+0.5%	-0.5%
Bank balances	21 807 000	21 591 000

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

### Accounting classification and fair values

	Carrying amount	Fair value
Trade and other payables	12 952	12 952
Trade and other receivables	8 299	8 299
Cash and cash equivalents	13 061	13 061
	34 312	34 312

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## 4. Property, plant and equipment

	2010			2009		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
Plant and machinery	14 522	(6 644)	7 878	14 464	(5 180)	9 284
Furniture and fixtures	736	(371)	365	735	(355)	380
Office equipment	481	(265)	216	465	(236)	229
IT equipment	1 551	(1 335)	216	1 504	(1 270)	234
Appliances	74	(39)	35	74	(46)	28
Other property, plant and equipment	605	(404)	201	574	(359)	215
<b>Total</b>	<b>17 969</b>	<b>(9 058)</b>	<b>8 911</b>	<b>17 816</b>	<b>(7 446)</b>	<b>10 370</b>

### Reconciliation of property, plant and equipment 2010

	Opening balance	Additions	Disposals	Reversal of depreciation due to reassessment	Depreciation	Total
Plant and machinery	9 284	54	(656)	509	(1 313)	<b>7 878</b>
Furniture and fixtures	380	-	-	15	(30)	<b>365</b>
Office equipment	229	15	(42)	51	(37)	<b>216</b>
IT equipment	234	56	(256)	375	(193)	<b>216</b>
Appliances	28	-	-	14	(7)	<b>35</b>
Leased assets	215	75	-	-	(89)	<b>201</b>
	<b>10 370</b>	<b>200</b>	<b>(954)</b>	<b>964</b>	<b>(1 669)</b>	<b>8 911</b>

### Reconciliation of property, plant and equipment 2009

	Opening balance	Additions	Disposals	Reversal of depreciation due to reassessment	Depreciation	Total
Plant and machinery	8 879	157	-	1 308	(1 060)	<b>9 284</b>
Furniture and fixtures	427	5	-	-	(52)	<b>380</b>
Office equipment	273	6	-	-	(50)	<b>229</b>
IT equipment	445	50	-	-	(261)	<b>234</b>
Appliances	28	11	-	-	(11)	<b>28</b>
Leased assets	372	21	(3)	-	(175)	<b>215</b>
	<b>10 424</b>	<b>250</b>	<b>(3)</b>	<b>1 308</b>	<b>(1 609)</b>	<b>10 370</b>

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## 5. Intangible assets

	2010			2009		
	Cost / valuation	Accumulated amortisation	Carrying value	Cost / valuation	Accumulated amortisation	Carrying value
Computer Software	3	(3)	-	10	(7)	3

### Reconciliation of intangible assets 2010

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	3	(3)	-

### Reconciliation of intangible assets 2009

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	10	(7)	3

## 6. Inventories

	2009/10	2008/09
	R'000	R'000
Raw materials, components	11 113	12 029
Work in progress	751	1 085
Finished goods	4 252	4 097
	<b>16 116</b>	<b>17 211</b>
Inventory (write downs)	<b>(2 332)</b>	<b>(1 407)</b>
	<b>13 784</b>	<b>15 804</b>

Carrying value of inventories carried at fair value less costs to sell

**13 784**

15 804

An assessment of inventory took place during the year, damaged goods and unusable inventory was written down to net realisable value.

## 7. Trade and other receivables

Trade receivables	19 272	18 346
Employee costs in advance	17	18
VAT	-	143
Unpaid cheques	-	599
Sundry debtors	1	1
Less: Provision for impairment	<b>(10 476)</b>	<b>(11 598)</b>
	<b>8 814</b>	<b>7 509</b>

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## Trade and other receivables pledged as security

None of the trade receivables are encumbered or exposed to any risk.

## Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2010 R10 476 million (2009: R 11 598 million) were past due but not impaired.

Included in accounts receivable are unpaid cheques amounting to R 598 518, that are not recoverable and written off due to unknown parties fraudulently intercepting and cashing cheques from SEF debtors.

The ageing of amounts past due, but not impaired is as follows:

	2009/10	2008/09
	R'000	R'000
Current not past due	7 229	16 053
1 month past due	722	1 647
2 months past due	1 119	372
3 months and more past due	10 202	274
	<b>19 272</b>	<b>18 346</b>

## 8. Cash and cash equivalents

### Cash and cash equivalents consist of:

Cash on hand	23	23
Bank balances	13 038	21 699
	<b>13 061</b>	<b>21 722</b>

Cash and cash equivalents held by the entity that are not available for use.

**8 849** -

An amount of R3 316 000 not available for use relates to funds granted by government but for which recognition criteria has not yet been met.

Included in cash and cash equivalents is also an amount of R 5 533 000 which relates to a cash payout from the provident fund.

## 9. Finance lease obligation

### Minimum lease payments due

within one year	128	135
in second to fifth year inclusive	170	225
	<b>298</b>	<b>360</b>
less: future finance charges	(60)	(60)
<b>Present value of minimum lease payments</b>	<b>238</b>	<b>300</b>

### Present value of minimum lease payments due

within one year	104	94
in second to fifth year inclusive	134	128
	<b>238</b>	<b>222</b>
Non current liabilities	134	128
Current liabilities	104	94
	<b>238</b>	<b>222</b>

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### Notes to the Financial Statements for the period ended 31 March 2010

It is entity policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 11% (2009: 12%)

Interest rates are linked to prime at the contract date. Some leases have fixed repayments and others have a 15% per annum escalation clause.

	2009/10	2008/09
	R'000	R'000
<b>10. Deferred income</b>		
The following amounts were received from the Department of Labour to be applied as follows:		
Non current liabilities	-	-
Current liabilities	8 849	21 230
	<b>8 849</b>	<b>21 230</b>
Balance at the beginning of the year	21 230	-
Amounts received during the year	-	21 230
Utilised during the year	(12 381)	-
Balance at the end of the year	<b>8 849</b>	<b>21 230</b>

The deferred income for the current year relates to the following projects:

Business Case Project	3 316
Establishment of Provident Fund for SEF and other special projects	5 533

During the year the Repairs and Maintenance Project amounting to R 11 481 236 was completed and R 899 764 of the Provident Fund Project was utilised.

When unfulfilled conditions have been fulfilled, these amounts will be recognised as revenue in the period in which the conditions are met.

#### 11. Trade and other payables

Trade payables	6 074	4 821
Amounts received in advance	621	136
VAT	431	-
Stabilisation Fund	3 057	-
Accrued leave pay	1 839	2 113
Trade accruals	979	1 651
Unallocated receipts from debtors	85	271
Outstanding cheques	18	10
	<b>13 104</b>	<b>9 002</b>

#### Fair value of trade and other payables

Due within one year	13 104	9 002
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There was no renegotiation of any terms of the payables contracts. Further there were no breaches of any of the contracts between the trade creditors.

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Notes to the Financial Statements for the period ended 31 March 2010

	2009/10	2008/09
	R'000	R'000
<b>12. Revenue</b>		
Sale of goods	<u>43 621</u>	<u>56 974</u>
<b>13. Operating profit</b>		
Operating (loss) /profit for the year is stated after accounting for the following:		
Profit on sale of property, plant and equipment	112	1
Employee costs	(60 428)	(55 060)
Bad debts written off	(599)	-
Inventory write down	<u>(2 332)</u>	<u>(1 407)</u>
<b>14. Expenses by nature</b>		
Advertising costs	55	62
Depreciation, amortisation, impairments and re estimations	1 672	1 616
Impairment loss/ (reversal of impairment)	(1 122)	(2 653)
Bad debts written off	599	-
Employee costs	60 428	55 060
Transportation expenses	3 419	6 791
Other expenses	16 230	11 212
<b>Total cost of sales, distribution costs and administrative expenses</b>	<u>81 281</u>	<u>72 088</u>
<b>15. Investment revenue</b>		
Interest revenue		
Bank	26	27
Interest charged on trade and other receivables	-	156
	<u>26</u>	<u>183</u>
<b>16. Finance costs</b>		
Finance leases	24	42
Other interest paid	2	-
	<u>26</u>	<u>42</u>
<b>17. Auditors' remuneration</b>		
Fees	<u>2 146</u>	<u>1 894</u>
<b>18. Cash used in operations</b>		
Profit/ (Loss) before taxation	(2 616)	3 939
<b>Adjustments for:</b>		
Depreciation and amortisation	1 669	1 616
Profit on sale of assets	(112)	(1)
Interest received	-	(183)
Finance costs	-	42
Reversal of depreciation	(964)	(1 308)
<b>Changes in working capital:</b>		
Inventories	2 020	2 955
Trade and other receivables	(1 305)	1 306
Prepayments	39	(39)
Trade and other payables	4 107	(7 802)
Deferred income	(12 381)	21 230
	<u>(9 543)</u>	<u>21 755</u>

# Annual Financial Statements

*Sheltered Employment Factories*

*Notes to the Financial Statements for the period ended 31 March 2010*

	2009/10	2008/09
	R'000	R'000
<b>19. Operating expenses</b>		
<b>Operating expenses includes the following:</b>		
Administrative expenses	5 396	2 722
Other expenses	75 885	69 366
	<b>81 281</b>	<b>72 088</b>
<b>20. Related parties</b>		
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. Key management of the SEF are remunerated directly by the Department of Labour. However, the following transactions and balances were recorded relating to transactions with related parties as defined above.		
All the transactions below were made on terms equivalent to those in an arm's length transaction unless otherwise stated.		
<b>Related party balances</b>		
<b>Sale of goods to related parties</b>		
Year end balances arising from the sale of goods to related parties	14 778	14 802
<b>Impairment provision</b>		
Impairment provision on year end balances arising from the sale of goods to related parties	8 376	8 740
<b>Services provided by related parties</b>		
Municipalities	112	116
SARS PAYE	-	51
SARS VAT	564	185
Telkom	8	51
Workmans compensation	-	4
	<b>684</b>	<b>407</b>
<b>Related party transactions</b>		
<b>Parliamentary allocation</b>		
Yearly parliamentary allocation	62 223	78 117
<b>Sale of goods to related parties</b>		
Yearly sale of goods to to related parties	36 895	46 982
<b>Services provided by related parties</b>		
Municipalities	3 166	2 611
Postmaster	11	12
SARS PAYE	1 395	1 292
SARS VAT	986	1 597
Telkom	1 491	1 086
UIF	1 113	1 031
Workmans compensation	1 013	428
Department of Labour rental	-	-
SAPS	-	-
	<b>9 175</b>	<b>8 057</b>

# Annual Financial Statements

*Sheltered Employment Factories*

*Notes to the Financial Statements for the period ended 31 March 2010*

	2009/10	2008/09
	R'000	R'000
The free rental received from the Department of Labour for the use of factory buildings and the free electricity and water received from the South African Police Services at the Pretoria head office cannot be quantified.		
<b>Compensation to key management personnel</b>		
Short term employee benefits	2 128	2 477
<b>21. Prior period errors</b>		
<b>Property, plant and equipment</b>		
A reassessment of useful lives of assets was not performed in the prior year. This was corrected in the current year. The impact of the adjustment on prior years was as follows:		
Increase in property, plant and equipment		1 308
Decrease in opening retained earnings		(1 308)
Income tax effect		-
<b>Leased assets</b>		
Leased assets which were disclosed separately in the prior year have been reclassified to property, plant and equipment. The impact is as follows:		
Decrease in leased assets		(215)
Increase in property, plant and equipment		215
Income tax effect		-
<b>Trade and other payables</b>		
Employee benefits which were separately disclosed in the prior year have been reclassified to accounts payable. The impact is as follows:		
Decrease in employee benefits		(2 113)
Decrease in medical aid benefit		(270)
Increase in trade and other payables		2 383
<b>Cost of sales</b>		
Certain expense items which were incorrectly classified as cost of sales in the prior year have been reclassified to operating expenses. The impact is as follows:		
Decrease in cost of sales		(51 874)
Increase in operating expenses		51 874
<b>Cash flow statement</b>		
The impact of the reclassifications resulted in the following impact on the cash flow statement:		
Increase in cash flow from operating activities		343
Increase in cash flow from investing activities		(175)
Increase in cash flow from financing activities		(168)

## 22. Material losses through criminal conduct

Unpaid cheques amounting to R 598 518 were written off during the current year. These cheques were not recoverable due to unknown parties fraudulently intercepting and cashing cheques from SEF debtors.

No criminal or disciplinary steps have been taken as a result of the above.



# Annual Financial Statements

*Sheltered Employment Factories*

*Notes to the Financial Statements for the period ended 31 March 2010*

	2009/10	2008/09
	R'000	R'000
<b>23. Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	13 206	9 504
Add: Irregular expenditure	3 234	3 702
Less: Amounts condoned	-	-
<b>Irregular expenditure awaiting condonation</b>	<b>16 440</b>	<b>13 206</b>
<p>There were no competitive bids invited for the purchases with the following suppliers, which were above the National Treasury Guidelines. This was due to the there being no alternate suppliers for the product required by SEF. The appropriate approval of for the relaxation of the treasury regulation was not obtained from National Treasury and therefore the following purchases were considered as irregular expenditure.</p>		
1. Berg River Textile	R 12 264	
2. Hans Merensky Holdings	R 4 444	
3. Prenam Distributors	R 3 641	
<b>24. Defined contribution plan</b>		
<b>Included in employee costs are the following</b>		
Pension instructors	694	-
Provident fund workers	1 898	-
Staff pension	921	-
Admin workers provident fund	122	-
	<b>3 635</b>	<b>-</b>
<b>25. Fruitless and wasteful expenditure</b>		
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure relating to prior year	279	-
Fruitless and wasteful expenditure relating to current year	11	279
Less: amounts condoned	-	-
Less: amounts transferred to receivables for recovery	-	-
	<b>290</b>	<b>279</b>
<b>Detail of fruitless and wasteful expenditure current year:</b>		
Overpayment of employee cost		10 523

# Annual Financial Statements

*Sheltered Employment Factories*

*Notes to the Financial Statements for the period ended 31 March 2010*

	Quantity	2009/10 R'000	2008/09 R'000
<b>26. World cup expenditure</b>			
Tickets acquired	-	-	-
Distribution of tickets		-	-
Clients/stakeholders		-	-
Accounting Authority		-	-
Executive		-	-
Non executive		-	-
Accounting officer		-	-
Senior management		-	-
Other employees		-	-
Family members of officials		-	-
Other government entities		-	-
Audit Committee members		-	-
Total		-	-
Travel costs		-	-
Clients/stakeholders		-	-
Accounting Authority		-	-
Executive		-	-
Non executive		-	-
Accounting officer		-	-
Senior management		-	-
Other employees		-	-
Family members of officials		-	-
Other government entities		-	-
Audit Committee members		-	-
Purchase of other world cup apparel		-	-
<b>Tickets acquired after year end (30 June 2010)</b>			
Distribution of tickets acquired after year end		-	-
Clients/stakeholders		-	-
Accounting Authority		-	-
Executive		-	-
Non executive		-	-
Accounting officer		-	-
Senior management		-	-
Other employees		-	-
Family members of officials		-	-
Other government entities		-	-
Audit Committee members		-	-

# Annual Financial Statements

*Sheltered Employment Factories*

*Detailed Income Statement for the period ended 31 March 2010*

	Notes	2009/10	2008/09
		R'000	R'000
<b>Revenue</b>			
Sale of goods		<u>43 621</u>	<u>56 974</u>
Cost of sales			
Opening stock		(4 097)	(4 665)
Purchases		31 651	568
Cost of manufactured goods		(58 925)	(38 003)
Closing stock		4 252	4 097
Inventory writedowns		(2 332)	-
		<u>(29 451)</u>	<u>(38 003)</u>
<b>Gross profit</b>		<b>14 170</b>	<b>18 971</b>
<b>Other revenue</b>			
Commissions received		31	28
Parliamentary allocation		64 352	56 887
Interest received		26	183
Gains on disposal of assets		112	-
		<u>64 521</u>	<u>57 098</u>
<b>Expenses</b>		<b>(81 281)</b>	<b>(72 088)</b>
<b>Operating (loss) / profit</b>		<b>(2 590)</b>	<b>3 981</b>
Finance costs		(26)	(42)
<b>(Loss) / profit for the year</b>		<b>(2 616)</b>	<b>3 939</b>

# Annual Financial Statements

*Sheltered Employment Factories*

*Detailed Income Statement for the period ended 31 March 2010*

	Notes	2009/10	2008/09
		R'000	R'000
<b>Operating expenses</b>			
Advertising		(55)	(62)
Auditors remuneration		(2 146)	(1 894)
Bad debts written off		(599)	-
Bank charges		(140)	(126)
Consumables		(2 834)	(4 225)
Other factory allocated costs		(1 735)	3 365
Professional fees		(325)	(156)
Depreciation, amortisation and impairments		(1 672)	(1 616)
Employee costs		(60 428)	(55 060)
Entertainment		(6)	(20)
Impairment of debtors		1 122	2 653
Minor assets expensed		(136)	(443)
Municipal charges		(3 248)	(2 616)
Project costs		(4)	(1 594)
Administrative expenses		(58)	11
IT expenses		(523)	(324)
Insurance		(980)	(428)
Printing and stationery		(566)	(463)
Repairs and maintenance		(859)	(951)
Rentals (lease charges)		(213)	(199)
Reassessment of useful lives of assets		-	1 308
Protective clothing		(195)	(156)
Security		(752)	(633)
Telephone and fax		(1 344)	(1 415)
Training		(37)	(21)
Transport and freight		(3 419)	(6 791)
Travel local		(129)	(232)
		<b>(81 281)</b>	<b>(72 088)</b>

# Annual Financial Statements

*National Skills Fund*

*Annual Financial Statements for the year-ended 31 March 2008*

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# Annual Financial Statements

*National Skills Fund*

*Report of the Auditor-General for the year ended 31 March 2010*

## **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF NATIONAL SKILLS FUND FOR THE YEAR ENDED 31 MARCH 2010**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

I have audited the accompanying financial statements of the National Skills Fund, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting authority's report, as set out on pages 212 to 255.

#### **Accounting Authority's responsibility for the financial statements**

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor-General's responsibility**

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa and the Skills Development Act, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Skills Fund as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa.

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*National Skills Fund*

*Report of the Auditor-General for the year ended 31 March 2010*

## Emphasis of matter

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

### Restatement of corresponding figures

As disclosed in note 23 to the financial statements, the corresponding figures for 31 March 2009 have been restated by R1 800 000 as a result of an error discovered in the financial statements of the National Skills Fund for the year ended, 31 March 2009.

### Irregular expenditure

As disclosed in note 17 to the financial statements, irregular expenditure to the amount of R4 519 000 (2009 R648 406 000) was incurred as a result of proper tender process not being followed and authorisation of payments without the relevant delegation of authority. The irregular expenditure is awaiting condonement by the relevant authorities.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, Skills Development Act and financial management (internal control).

## Findings

### Predetermined objectives

- Non-compliance with regulatory and reporting requirements

The accounting authority did not ensure that the National Skills Fund has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 51(1)(a)(i) of the PFMA.

- Usefulness of information

### **Reported indicators and targets not valid, accurate and complete as no and inadequate supporting source information was provided**

The reported targets that were material by nature and amount for the objectives below, the validity, accuracy and completeness of the reported target could not be established as sufficient appropriate audit evidence and relevant source documentation could not be provided for audit purposes:

- promoting employability and sustainable livelihoods through skills development
- assisting designated groups, including new entrants to participate in accredited work, integrated learning and work based programme to acquire critical skills to enter the labour market and self employment.

## Compliance with laws and regulations

### Prohibited actions

Contrary to section 53(3) of the PFMA, the accounting authority did not receive prior approval

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*Report of the Auditor-General for the year ended 31 March 2010*

from the National Treasury to budget for a deficit. The strategic plan indicated an estimated surplus of R840 500 000 and note 25 to the financial statements and the budget indicated a budgeted deficit of R1 847 807 000.

## **Non adherence to requirements**

### **Public Finance Management Act No1 of 1999 (PFMA)**

- Contrary to section 51 (1)(a)(i), policies and procedures for related party transactions, Seta receivables, interest earned on unspent Setas' funds, commitments, management fees and bank charges, creditors and provision for impairments of receivables were not designed, approved and implemented.
- The National Skills Fund had not yet listed as a public entity with the Registrar of Public Entities in the National Treasury as required by section 47(2) of the PFMA.

### **Treasury Regulations of 2005**

- The National Skills Fund did not ensure that payments were settled within 30 days of receipt of invoices as required by section 8.2.3. As a result, there were an increase in creditors and creditor's days outstanding.
- The accounting authority did not ensure that a risk assessment is conducted regularly so as to identify emerging risks of the public entity. A risk management strategy, which includes a fraud prevention plan, was not operational for majority of the year as required by section 27.2.1.

### **Public Service Act and Public service regulation**

- The National Skills Fund did not have an approved Human Resource (HR) plan as required by the Public Service Regulations Chapter 1, Part III D.

## **INTERNAL CONTROL**

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and Skills Development Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

### **Leadership**

The accounting officer did not exercise oversight responsibility in ensuring that processes within the entity were directed by adequate policies and procedures to ensure compliance with reporting, compliance with laws and regulations and reporting. Actions were not taken by management to ensure risks relating to the achievement of complete and accurate performance reporting.

### **Financial and performance management**

Adequate processes relating to the collation of evidence with regard to the achievement of predetermined objectives were not in place which resulted in information not being provided to audit. Reporting on predetermined objectives was not reviewed for accuracy and completeness.

The systems used for the preparation of financial statements and performance reports were inadequate. Consequently, information included in the reported predetermined objectives



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*National Skills Fund*

*Report of the Auditor-General for the year ended 31 March 2010*

could not be supported by adequate information and supporting documents.

- **Governance**

Management did not consider the risks of material misstatements due to fraud arising from the lack of policies and procedures. Ongoing monitoring and supervision over predetermined objectives were not undertaken by internal audit, as a consequence, the internal control deficiencies were not timely addressed by management.

## **OTHER REPORTS**

- **Investigations**

### **Investigations in progress**

As disclosed in note 20 to the financial statements, investigations into alleged cases of fraud amounting to R730 844 were still in progress.

*Auditor General*

Pretoria  
31 July 2010



# Annual Financial Statements

*National Skills Fund*

*Report of the Accounting Authority for the year ended 31 March 2010*

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

## 1. General review of the state of affairs

The National Skills Fund was established in 1999 in terms of the Skills Development Act, 1998. 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.

The National Skills Fund has been transferred to the Department of Higher Education and Training from 1 April 2010 following a Presidential Proclamation (No. 52) transferring all skills legislation to the Ministry for Higher Education and Training as at 1 November 2009.

The Fund continued to improve its policy environment to ensure progressive compliance to the PFMA and Treasury Regulations. Previous deficiencies in the procurement policy under Social Development have largely been addressed through improved policies and procedures. The Fund also improved its financial management policies and procedures to support its accounting framework and ensure prudent management of the Fund.

Revenue for the financial year ended 31 March 2010 rose by 4.8% to R1.99 billion (R1.89 billion in 2008/09) driven mainly increased by levy collection. Total capital and reserves rose 28% to R5.1 billion (R4 billion in 2008/09).

Total expenditure for the period declined by 6.2% to R871 million compared to R930 million in the previous financial year. Key contributors were programmes under the Social Development Funding Window and the Strategic Projects Programme. Jointly the two programmes accounted for 73% of the total budget for the year and recorded only 15% expenditure.

## Key policy development and legislative changes

During the reporting period government proclaimed the transfer of skills development legislation from the Department of Labour to a newly created Department of Higher Education and Training. Although the proclamation was effective from 1 November 2009, the transfer could not be effected until 1 April 2010 due to the fact that the receiving department had no infrastructure to ensure continued service delivery. Under agreement between the two departments the Director-General of Labour remained the Accounting Authority for the Fund until 31 March 2010. Other key policy changes included:

- Extension of the National Skills Development Strategy by a further year to March 2011
- Extension of the licences of the 23 SETAs by a further year to March 2011.

## 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:

- 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.

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*Report of the Accounting Authority for the year ended 31 March 2010*

## **Reason for under-spending**

The NSF recorded 56% under-spending in the current financial year for expenditure of R871 million compared to the total income of R1.99 billion. Expenditure also declined by 6.2% compared to the previous financial year. Key drivers of expenditure for the Fund are the training projects from the funding windows that assist unemployed people to gain skills.

For the reporting period the Fund's training activities under the Social Development Funding Window continued to under-perform mainly due to slow procurement followed by revised procedures. Of the total revised budget of R652 million only R75.1 million or 12% was spent. In the Strategic Projects Programme (total budget R1.88 billion) the Training Layoff Scheme for which the NSF set aside R1.2 billion only recorded expenditure of R306 million resulting in more than 84% of the Budget being unspent. Expenditure was also affected by the planned transfer of the NSF (and skills legislation) from 1 November 2009. The delay in reaching agreement over accountability for the NSF meant that training activities had to be temporarily halted until this issue was resolved.

## **2. Services rendered by the National Skills Fund**

The NSF primarily provides funding and policy development in order to meet the objectives of the National Skills Development Strategy (NSDS) for 2005-2010. These objectives of the NSDS are expressed in the following funding windows of the NSF.

### **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 the Expanded Public Works Programme (EPWP).

In the case of the Social Development Initiatives Funding 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.

For this financial year, the NSF funded the training of 11 928 unemployed people through various skills intervention programmes. Beneficiaries were drawn from key government projects such as the EPWP, Working for Water and other provincial economic initiatives. Of the total trained 6 933 (58%) were placed in projects that allowed them to consolidate the skills gained through practical work.

### **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.

Out of a targeted 40 000 learners for 2009/10 a total of 56 669 were enrolled from a total of 19 projects funded under the ABET programme. Of these 44 803 learners completed the programme.

The cumulative total of ABET who participated in the programme now stands at 109 984 exceeding the target of 100 000 learners by 31 March 2010 set for the National Skills Fund in the NSDS.

## Annual Financial Statements

*National Skills Fund*

*Report of the Accounting Authority for the year ended 31 March 2010*

### **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 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.

Programmes under this category include learnerships, internships, apprenticeships and bursaries. These are implemented primarily with SETAs and provincial governments (under the Strategic Projects Programme). A total of 10 300 learners were enrolled of whom only 5 116 completed programmes.

### **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.

This programme benefited a total of 4 558 new workers through training grants (WSDSP and BPO&O) under the incentives scheme for new investments and expansion initiatives. This brings to 14 731 the total number of new workers who benefitted from the scheme since April 2005 with more than R100 million in training grants paid to participating companies.

### **Informal Sector Support Funding Window**

Through this funding window the Fund supports NSDS indicator 3.2 to provide skills development to non-levy paying enterprises, Non-governmental Organisations (NGOs), Community Based Organisations (CBOs) and Community-based Co-operatives. The funding window also supports NSDS indicators 4.3 and 5.2, whereby new entrants will be assisted to establish sustainable new ventures by providing training and mentoring. In respect of the latter, the NSF will top-up SETA discretionary new venture creation grants.

For the reporting period a total of 5 570 people received training from the 387 Small Community Based Co-Ops that participated in the programme.

### **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 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.

The Fund benefited a total of 6 765 people from eight NSA constituency organisations with expenditure of R13 million recorded.

### **Special Projects Funding Window**

This Funding Window is in support of NSDS indicators in general, as well as the cross-cutting NSDS principles, and includes:

- 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.

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*National Skills Fund*

*Report of the Accounting Authority for the year ended 31 March 2010*

No activities were recorded under this programme for the reporting year due to the postponement of the National Skills Conference.

## **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. For the period under review a total of four projects received funding to implement various programmes in support of the Skills Development Act. These projects benefitted over 423 people. Among the beneficiaries of this programme were traditional leaders and cooperatives from the District of Ntabankulu who received various skills programmes.

## **Strategic Projects**

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 budgets across a number of selected funding windows and was primarily targeted at projects supporting implementation of Provincial Growth and Development Strategies as well as the Framework for SA's response to the Economic Crisis through the Training Layoff Scheme.

The programmes are implemented primarily in partnerships with provincial governments and support their Provincial Growth and Development Strategies. For the year under review provincial governments recorded a total intake of 21 518 learners who participated in various learning programmes ranging from learnerships, internships, apprenticeships, bursaries and skills programmes. Of these a total of 16 711 exited the programme after completing their programmes. The provincial projects were extended by a further 18 months to June 2011.

The Training Layoff Scheme accounted for 2 399 workers with grants of R10.8 million paid to participating SETAs and their companies.

The programme contributes to the overall targets of the NSDS under the funding windows indicated above.

## **3. Capacity constraints**

The Fund continues to experience capacity constraints caused by increasing volumes of projects and demands to comply with policies and procedures. The Fund also relied heavily on the Department of Labour's provincial infrastructure to implement its programme under the Social Development Funding Window. This arrangement requires a review owing to transfer of the NSF to the Department for Higher Education and Training. The NSF is currently finalising a policy review around the percentage for administrative purposes.

## **4. Utilisation of donor funds**

None

## **5. Trading entities/public entities**

None

## **6. Organisations to whom transfer payments have been made**

None

## Annual Financial Statements

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### **7. Public /private partnerships**

None

### **8. Corporate governance arrangements**

The Director-General of Labour is the Accounting Authority of the Fund in terms of the Public Finance Management Act, 1999 (PFMA) and the Accounting Authority in terms of the Skills Development Amendment Act, 2008, and must:

- Control the Fund
- Keep a proper record of all financial transactions, assets and liabilities of the Fund
- Prepare financial statements for the Fund in the prescribed form
- Subject to laws governing the public service appoint an executive officer of the NSF who will upon such appointment be in the employment of the public service.

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.

The Department has initiated a review of the governance and accountability arrangements of the Fund, in line with the recommendations of the Standing Committee on Public Accounts adopted by Parliament in February 2007. Although the Department initiated a process for the listing of the NSF, this could not be completed and this process would be handed over to the new Department for Higher Education and Training.

#### ***Risk management***

The activities of the NSF are covered within the comprehensive risk assessment done by the Directorate of Internal Audit of the Department of Labour. In addition the NSF has developed and adopted its own risk management framework that is monitored through an interim risk committee.

#### ***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 of the Department of Labour.

#### ***Internal Audit and Audit Committee***

The internal audit function for the NSF is provided by the Directorate of Internal Audit of the Department.

The established Audit Committee of the Department also addresses the activities related to the National Skills Fund.

#### ***Financial management***

The NSF's financial management is sound and compliant to the PFMA and National Treasury Regulations. The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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## Other PFMA requirements

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

- **Basis of Accounting** - The Auditor-General recommended that the financial statements of the NSF be prepared on an accrual basis as the entity fulfils the description of a public entity. The statements for the 2008/09 and the 2009/10 financial year (including the restatement of comparative figures for prior periods) were prepared on an accrual basis
- **NSF Strategic Plan** – is derived from the Strategic Plan of the Department. The Department's Strategic Plan has been approved by the Executive Authority. During the year the NSF also developed its Strategic Plan for 2010/13 and obtained approval from the Accounting Authority
- **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 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 National Skills Fund 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
- **Completeness of revenue** - Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefits can be measured reliably. This occurs when the Department either makes an allocation or payment, whichever comes first, to the SETA/NSF, as required by section 6 (5) of the Skills Development Levies Act, 1999 (Act No.9 of 1999).

The SDL transfer is measured at the fair value of the consideration received.

The Department is responsible for the first high-level verification to detect any material occurrences of levy payment variances, which is communicated to the NSF and SARS for further investigation and rectification.

As a control measure, the NSF verifies the 20% levy allocation based on the monthly certificate issued by SARS on receipt of funds in its banking account. The monthly allocations are tested for consistency with prior period trends and variances are further investigated. Any unjustified variances are communicated to the Department for further investigation with SARS, being the appointed levy collection agent.

## 9. Discontinued activities

None

## 10. New/proposed activities

None

# Annual Financial Statements

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## 11. Asset management

The NSF does not own assets as it is a programme of the Department.

## 12. Events after the reporting date

The Minister for Higher Education has published for public comment draft regulations for the NSF increasing the limit for administration to 10% as well as a further 10% limit in respect of non-recurring expenditure. The Minister further released for public comment the draft National Skills Development Strategy for 2011-2016.

## 13. Performance information

The NSF is currently a programme within the Department and its performance information is provided within the framework of the Department.

- Quarterly monitoring of performance is derived from the annual work plan of the NSF and ENE targets and reported via the Department's reports
- Reports of the NSF are discussed in the Department's senior management meetings at various levels including the Mid-Term Review which is a meeting chaired by the Minister. This meeting reviews performance on the first six months of the work plan and directs corrective action to be taken
- The NSF is also part of the Annual Review and planning workshops, where annual performance is discussed and planning of the new financial year is undertaken
- A committee of the National Skills Authority also provides monitoring with respect to the contribution of the NSF and the Department's provincial offices to the targets of the National Skills Development Strategy.

## 14. SCOPA resolutions

Reference to previous audit and 19th SCOPA report resolutions		
Subject	Sub-items	Findings / progress
Governance arrangements	1) Implementation of an organisational structure to comply with the requirements of supply chain management. 2) Monitoring of controls through ongoing activities that includes supervisory activities over training projects.	a) All the skills development services funded from the National Skills Fund will comply with the approved supply chain management policy. Revised procurement policies were developed and incorporated into the operational procedure of the Department's provincial offices managing NSF projects. b) The matter to improve internal controls for training projects has been discussed with the managers of the National Skills Fund, as well as the ESDS Managers of the Department of Labour's Provincial offices. Progress is being monitored by senior staff of the Department and the National Skills Fund. c) Senior officials in the Department are monitoring and reviewing the training projects on an ongoing basis. d) The Department has submitted progress reports to SCOPA on a quarterly basis as recommended.



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Subject	Sub-items	Findings / progress
Accuracy and completeness of commitments	<ol style="list-style-type: none"> <li>1) Lack of assurance relating to the accuracy and completeness of commitments as a result of inadequate file administration.</li> <li>2) The absence of required systems to facilitate the process.</li> <li>3) The lack of monitoring of information accumulating.</li> </ol>	<p>The Department has resolved the challenges around accuracy of commitments. Commitments are managed on an ongoing basis and procedures and control measures are set in place to ensure accuracy, validity and completeness.</p> <p>The commitments are verified and confirmed by the respective NSF officials on a monthly basis and any discrepancies are timeously followed-up and reconciled to the disbursements system (BAS).</p>
General	<ol style="list-style-type: none"> <li>1) The structure and accountability of the National Skills Fund.</li> <li>2) The confirmation of commitments.</li> <li>3) Deficiencies in the accounting system to allow proper accrual accounting.</li> </ol>	<ol style="list-style-type: none"> <li>1) The governance structure of the Fund has already been addressed in the amended Skills Development Act of 2008. The Act designates the Director-General as the Accounting Authority. Furthermore the Department approved a process for the Technical Assistance Unit (TAU) at National Treasury to assist the NSF to finalise its business case. This work was interrupted due to the transfer of the NSF and will be referred to the new Department for Higher Education and Training.</li> <li>2) Commitments are monitored on an ongoing basis and procedures are set in place to ensure accuracy, validity and completeness.</li> <li>3) The NSF has adopted a new accounting framework since the 2008/09 financial year. Accounts of the Fund are prepared on the accrual basis. Comparative figures for the prior periods have been effectively restated based on the adoption of new accounting policies in terms of the accrual basis of accounting.</li> </ol>

## 15. Exemptions and deviations received from National Treasury

None

## 16. FIFA World Cup expenditure

The National Skills Fund did not incur any FIFA World Cup expenditure relating to tickets or clothing during the current or previous financial year.

## 17. Approval

The Annual Financial Statements have been approved by the Accounting Authority.



S Morotoba  
Acting Director-General of Labour

Date: 30 July 2010

# Annual Financial Statements

*National Skills Fund*

*Statement of Financial Performance for the year ended 31 March 2010*

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>Revenue from non-exchange transactions</b>		<b>1 612 062</b>	1 493 776
Skills Development Levy: Income from non-exchange transactions	1	1 563 111	1 446 827
State contribution	2	48 951	46 949
<b>Revenue from exchange transactions</b>		<b>378 530</b>	405 019
Finance income	3	372 520	396 917
Other income	4	2 466	3 824
Fair value adjustment on financial assets at fair value through surplus / deficit	9	3 544	4 278
<b>Total revenue</b>		<b>1 990 592</b>	1 898 795
<b>Expenses</b>		<b>871 067</b>	930 317
Project expenses	5	788 703	848 427
Employee cost	6	13 854	11 764
Other operating expenses	7	15 170	15 554
Management fees and bank charges	8	1 281	988
Collection costs to SARS		52 059	53 584
<b>Net surplus for the year</b>		<b>1 119 525</b>	968 478

# Annual Financial Statements

*National Skills Fund*

*Statement of Financial Position for the year ended 31 March 2010*

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>Assets</b>			
<b>Current assets</b>			
		<b>5 191 192</b>	4 045 241
Prepaid expenditure	10	<b>7 327</b>	11 834
Cash and cash equivalents	11	<b>3 188</b>	81 753
Financial assets at fair value through surplus/deficit	12	<b>5 174 555</b>	3 935 526
Trade and other receivables from non-exchange transactions	13	<b>6 122</b>	16 128
<b>Total assets</b>		<b>5 191 192</b>	4 045 241
<b>Current liabilities</b>			
Trade and other payables from non-exchange transactions	14	<b>70 235</b>	43 809
<b>Total liabilities</b>		<b>70 235</b>	43 809
<b>Total net assets</b>		<b>5 120 957</b>	4 001 432
<b>Funds contributed by:</b>			
<b>Capital and reserves</b>			
Accumulated surplus		<b>5 120 957</b>	4 001 432
<b>Total capital and reserves</b>		<b>5 120 957</b>	4 001 432

# Annual Financial Statements

*National Skills Fund*

*Statement of Changes in Net Assets for the year ended 31 March 2010*

	Notes	Accumulated surplus R'000
<b>Balance at 1 April 2008 as previously stated</b>		3 033 941
Prior year adjustment *	23.1	(2 454)
Prior year adjustment **	23.3	1 467
<b>Restated balance at 1 April 2008</b>		3 032 954
Net surplus per Statement of Financial Performance		968 478
As previously stated		965 691
Prior year adjustment *	23.1	2 433
Prior year adjustment ***	23.2	354
<b>Restated balance at 31 March 2009</b>		4 001 432
Net surplus per Statement of Financial Performance		1 119 525
<b>Balance at 31 March 2010</b>		5 120 957

\* Correction of an amount owed to ESETA for the 2007/08 and 2008/09 financial year. ESETA did not submit their 31 March 2009 Annual Financial Statements in terms of the required timelines which prevented the NSF to determine the outstanding balance owed to ESETA for project expenditure. This resulted in an under-statement of 2007/08 expenditure, 2007/08 liabilities as well as an over-statement of expenditure for the 2008/09 financial year. This correction has been recorded as a prior year adjustment.

\*\* Recording of a trade debtor balance with regards to a refund received relating to prior year expenditure incurred for the ABET Funding Window. This refund was received during the 2009/10 financial year but refers to a refund of 2007/08 expenditure incurred. This correction has been recorded as a prior year adjustment.

\*\*\* Correction of an amount owed to the Department of Labour for the 2008/09 financial year. This amount was erroneously included in the accrual listing for 31 March 2009. This resulted in an over-statement of current liabilities and an overstatement of expenditure for the 2008/09 financial year. This correction has been recorded as a prior year adjustment.

The comparative amounts have been appropriately adjusted to reflect the prior year adjustments. Refer to Note 23 for more detail.

# Annual Financial Statements

*National Skills Fund*

*Cash Flow Statement for the year ended 31 March 2010*

		2009/10	2008/09 (Restated)
	Notes	R'000	R'000
<b>Cash flows from operating activities</b>			
<b>Operating activities</b>			
Cash receipts from stakeholders		1 614 528	1 497 600
Levies, interest and penalties received		1 565 577	1 450 651
Other cash receipts from stakeholders		48 951	46 949
<b>Cash paid to stakeholders, suppliers and employees</b>			
Project payments		(788 703)	(848 427)
Compensation of employees		(13 975)	(12 172)
Payments to suppliers and other		(63 582)	(70 127)
Net (increase) / decrease in working capital		36 132	(32 942)
Cash generated from operations	15	784 400	533 932
Finance income		372 520	396 917
<b>Net cash inflow from operating activities</b>		<b>1 156 920</b>	<b>930 849</b>
<b>Cash flow from investing activities</b>			
Additions to financial assets at fair value through surplus / deficit		(1 235 485)	(914 526)
<b>Net cash outflow from investing activities</b>		<b>(1 235 485)</b>	<b>(914 526)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(78 565)</b>	<b>16 323</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>81 753</b>	<b>65 430</b>
<b>Cash and cash equivalents at end of year</b>	11	<b>3 188</b>	<b>81 753</b>

# Annual Financial Statements

*National Skills Fund*

*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

## **1. Basis of preparation**

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Framework of the entity, based on the preceding paragraph, is therefore as follows:

### **Standards of GRAP approved and effective:**

- GRAP 1: Presentation of financial statements
- GRAP 2: Cash flow statements
- GRAP 3: Accounting policies, changes in accounting estimates and errors
- GRAP 4: The effects in changes in foreign exchange rates
- GRAP 5: Borrowing costs
- GRAP 6: Consolidated and separate financial statements
- GRAP 7: Investments in associates
- GRAP 8: Investments in joint ventures
- GRAP 9: Revenue from exchange transactions
- GRAP 10: Financial reporting in hyperinflationary economies
- GRAP 11: Construction contracts
- GRAP 12: Inventories
- GRAP 13: Leases
- GRAP 14: Events after reporting date
- GRAP 16: Investment property
- GRAP 17: Property, plant and equipment
- GRAP 19: Provisions, contingent liabilities and contingent assets
- GRAP 100: Non-current assets held for sale and discontinued operations
- GRAP 101: Agriculture
- GRAP 102: Intangible assets.

### **Directives issued and effective:**

- Directive 1: Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
- Directive 2: Transitional provisions for the adoption of standards of GRAP by public entities, municipal entities and constitutional institutions
- Directive 5: Determining the GRAP reporting framework
- Directive 7: The application of deemed cost on the adoption of standards of GRAP.

### **Interpretations of the Standards of GRAP approved:**

- IGRAP 1: Applying the probability test on the initial recognition of exchange revenue.

### **Approved guidelines of standard of GRAP:**

- Guide 1: Guideline on Accounting for public private partnerships.

### **Effective accrual based IPSASs considering the provisions in paragraphs .15 to .19 of the directive:**

- IPSAS 20: Related parties disclosure.

# Annual Financial Statements

*National Skills Fund*

*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

## **Effective IFRSs and IFRICs that are applied considering the provisions in paragraph .20 to.26 of the directive:**

- IFRS 3 (AC 140): Business combinations
- IFRS 4 (AC 141): Insurance contracts
- IFRS 6 (AC 143): Exploration for and evaluation of mineral resources
- IFRS 7 (AC 144): Financial instruments: Disclosures
- IAS 12 (AC 102): Income taxes
- IAS 19 (AC 116): Employee benefits
- IAS 32 (AC 125): Financial instruments: Presentation
- IAS 39 (AC 133): Financial instruments: Recognition and measurement
- SIC - 21 (AC 421): Income taxes: Recovery of revalued non-depreciable assets
- SIC - 25 (AC 425): Income taxes: Changes in the tax status of an entity or its shareholders
- SIC - 29 (AC 429): Service concession arrangements: Disclosures
- IFRIC 2 (AC 435): Members' shares in co-operative entities and similar instruments
- IFRIC 4 (AC 437): Determining whether an arrangement contains a lease
- IFRIC 9 (AC 422): Reassessment of embedded derivatives
- IFRIC 12 (AC 445): Service concession arrangements
- IFRIC 13 (AC 446): Customer loyalty programmes
- IFRIC 14 (AC 447): IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15 (AC 448): Agreements for the construction of real estate
- IFRIC 16 (AC 449): Hedges in a net investment in a foreign operation.

## **2. Changes in accounting policies, estimates and errors**

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

The entity changes an accounting policy only if the change:

- Is required by a standard of GRAP; or
- Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the performance or cash flow.

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the entity restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 23 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

## Annual Financial Statements

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*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

### **3. Critical judgements, estimations and assumptions**

In the application of the NSF accounting policies management is required to make judgements, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 24 for more detail.

### **4. Presentation currency**

These financial statements are presented in South African Rand which is the functional currency of the entity. Figures have been rounded off to the nearest thousand Rand (R'000).

### **5. Going concern assumption**

These financial statements have been prepared on the going concern basis. In assessing whether the NSF is a going concern, the Accounting Authority has considered the fact that the power to collect skills development levies will enable the NSF to be considered as a going concern for at least the next 12 months.

### **6. Offsetting**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by the standard of GRAP, IPSAS or GAAP.

### **7. Comparative information**

Budget information in accordance with GRAP 1 has been provided in the Notes to the Financial Statements for the current financial year only, and forms part of the audited Annual Financial Statements.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **8. Events after reporting date**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Events after the reporting date that are classified as adjusting events have been accounted for in



# Annual Financial Statements

*National Skills Fund*

*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

the Annual Financial Statements. Events after reporting date that have been classified as non-adjusting events have been disclosed in the Disclosure Notes to the Annual Financial Statements.

## 9. Revenue recognition

Revenue is recognised when its probable that future economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

Accounting policy 9.1 on revenue from non-exchange transactions and accounting policy 9.2 on revenue from exchange transactions describes the conditions under which revenue will be recorded by the management of the entity.

In making their judgement, the management considered the detailed criteria for recognition of revenue as set out in GRAP 9 (Revenue from exchange transactions). The management of the entity is satisfied that recognition of the revenue in the current year is appropriate.

### 9.1 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no obligation or condition to repay the amount.

#### 9.1.1 Skills development Levy (SDL) Income

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefits can be measured reliably, and occurs when the Department of Labour makes the allocation or the payment, whichever event comes first, to the National Skills Fund (NSF) as required by section 8 of the Skills Development Levies Act, 1999 (Act No.9 of 1999). SDL income is measured at fair value of the consideration received and is based on the information supplied by the Department.

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

20% of the skills development levies are paid over to the NSF and 80% to the SETAs.

National Skills Fund SDL income is set aside in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended for the purpose of:

	2009/10	2008/09
<b>Employee cost and other operating expenditure of the NSF</b>	2%	2%

#### 9.1.2 State contributions

State contributions represents unconditional grants received from the Department of Labour and are measured at fair value of the consideration received.

### 9.2 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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*National Skills Fund*

*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

### 9.2.1 Finance income

Finance income represents interest earned on investments and is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

### 9.2.2 Other income

Other income represents interest revenue received by the SETAs on the advance payments affected by the NSF for critical skills project expenditure. This interest received by the SETAs are utilised to incur project expenditure on behalf of the NSF.

Other income is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

## 10. Expenditure

### 10.1 Collection costs paid to SARS

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

### 10.2 NSF 2% employee costs and other operating expenses

According to section 28(2) of the Skills Development Act, 1998, the Accounting Authority 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. The utilisation of the 2% allocation may be applied for short-term employee benefits as well as other operating expenses.

### 10.3 Short-term employee benefits

Short-term employee benefits comprise of salaries, paid annual leave, paid sick leave, thirteenth cheques, performance bonuses and non-monetary benefits such as medical care, housing and car allowances. The cost of short term employee benefits are charged to the Statement of Financial Performance as employee cost in the year to which they relate, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short-term employee benefits that give rise to a present legal or constructive obligation are included in the Statement of Financial Position as accruals in the year to which they relate.

### 10.4 Project expenditure

Project expenditure comprise:

- costs that relate directly to the specific contract
- costs that are attributable to contract activity in general and can be allocated to the project
- such other costs as are specifically chargeable to the NSF under the terms of the contract.

Project costs are recognised as expenses in the period in which they are incurred.

Project expenditure includes the following:

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*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

## **10.5 Payments for training of unemployed people**

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

## **10.6 Funds allocated to SETAs for special projects**

The NSF allocates funds in respect of special projects to the SETAs. Funds not spent by the SETAs at year are accounted for as an asset in the financial statements of the NSF until the related eligible project expense are incurred by the SETAs and the relating expenditure recognised. If eligible expenses are not incurred, the amount allocated to the SETAs should be refunded to the NSF.

## **10.7 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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

## **10.8 Irregular expenditure**

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including: the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999); the State Tender Board Act, 1968 (Act No. 86 of 1968, or any regulation made in terms of that Act; or any provincial legislation providing for the procurement procedures in that provincial government.

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.

## **10.9 Unauthorised expenditure**

Unauthorised expenditure is the overspending of a vote or a main division within a vote; or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

When unauthorised expenditure is discovered it is recognised as an asset in the Statement of Financial Position until such time that 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 the availability of savings, in the Statement of Financial Performance on the date of approval.

# Annual Financial Statements

*National Skills Fund*

*Accounting Policies to the Annual Financial Statements for the year ended 31 March 2010*

## **11. Assets**

### **11.1 Property, plant and equipment**

The Director-General of the Department of Labour is the Accounting Authority of the Fund in terms of the PFMA and must control the Fund. No property, plant and equipment has been recognised by the NSF as all property, plant and equipment utilised are owned, controlled and disposed of by the Department of Labour.

### **11.2 Property, plant and equipment acquired by project implementing agencies for NSF special projects**

Property, plant and equipment acquired by project implementing agencies for the NSF special projects are capitalised in the financial statements of the respective agencies, as the agencies 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.

### **11.3 Prepaid expenditure**

Prepaid expenditure represents funding advanced by the NSF to the SETAs for critical skills development. The memorandum of agreement entered into with the SETAs stipulates that all unutilised funding, including any unspent accrued interest, should be refunded to the NSF within 30 days of completion of the projects. Unutilised project expenditure relating to open projects are therefore regarded as prepaid expenditure as the NSF will only be entitled to the unspent funds, including any accrued interest, at the end of the project term.

Prepaid expenditure is initially recognised at cost and subsequently measured at fair value less any provision for impairment.

### **11.4 Advances**

Amounts advanced are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The provision is made in accordance with IAS 39.64 whereby the recoverability of the outstanding advance is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics.

### **11.5 Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

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 should be invested with the Public Investment Corporation (PIC). Cash and cash equivalents are measured at fair value.

For purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

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## 12. Liabilities

### 12.1 Defined contribution plans

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The NSF provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the Fund is not required to be actuarially valued. Contributions are at a rate of 1,73% of pensionable emoluments. The entity's contributions to the defined contribution scheme are established in terms of the rules governing the scheme.

Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The entity has no further payment obligations once the contributions have been paid.

### 12.2 Leave and bonus accruals

The entity has opted to treat its provision for leave and bonus pay as an accrual.

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. An accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date. Accruals related to employee benefits included in the Statement of Financial Position includes annual leave, capped leave and thirteenth cheque commitments at year end (based on current salary rates).

The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The entity recognises the expected cost of performance bonuses only when the entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made. No accrual is made for post retirement benefits, as the NSF does not provide for such benefits for its employees.

### 12.3 Accrual for projects

No accrual is made for projects approved at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the Notes to the Financial Statements.

## 13 Financial instruments

The entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities. The classification of financial assets and liabilities, into categories, is based on judgement by management.

Financial assets and financial liabilities are recognised on the NSF Statement of Financial Position when the NSF becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

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## 13.1 Financial assets - classification

A financial asset is any asset that is a cash or contractual right to receive cash. The entities principle financial assets as reflected on the face of the Statement of Financial Position are categorised as follows:

- Cash and cash equivalents
- Financial assets at fair value through surplus / deficit
- Trade and other receivables.

In accordance with IAS 39.09 the financial assets of the entity are classified as follows into the categories as allowed by the standard:

Type of financial asset	Classification in terms of IAS 39.09
Cash and cash equivalents	Available for sale
Financial assets at fair value through surplus/ deficit	Held at fair value through surplus or deficit
Trade and other receivables	Loans and receivables

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

Financial assets at fair value through surplus or deficit are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially measured at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest method less provision for impairment.

## 13.2 Financial liabilities - classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The entities principal financial liabilities relates to accounts payable which are classified as follows on the face of the Statement of Financial Position:

- Trade and other payables

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss ('other financial liabilities').

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments

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where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as Other Financial Liabilities and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the entity are all classified as "other financial liabilities".

## **13.3 Initial and subsequent measurement**

### **13.3.1 Financial assets**

#### **13.3.1.1 Financial assets at fair value through surplus / deficit**

Held for trading financial instruments are initially and subsequently measured at fair value. It is the policy of the NSF to account for changes in the fair value of monetary securities classified as held for trading through the Statement of Financial Performance. The fair value adjustment is calculated between the difference of the market value at the end of the reporting period and the cost of the investment. These investments are revaluated once a year at the end of the reporting period.

#### **13.3.1.2 Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **13.3.2 Financial liabilities**

#### **13.3.2.1 Trade and other payables**

Trade and other payable financial instruments are measured at amortised cost using the effective interest rate method less provision for impairment losses. Accruals represent goods/services that have been received together with an accompanied invoice but final authorisation to affect payment has not been effected. Accruals are recognised in the Statement of Financial Position as trade and other payables.

## **13.4 Impairment of financial assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Accounts receivable are initially valued at cost, which represents fair value, and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivable is established when there is objective evidence that NSF will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is based on long outstanding non-active supplier contracts where the recovery of the outstanding amount is uncertain as no new contracts exist for

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the recovery of the outstanding balance. Based on past default experience it is the policy of the entity to provide for 50% of non-active contracts between 180 days and 270 days outstanding and 100% of non-active contracts exceeding 270 days.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance. When the receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the Statement of Financial Performance.

### **13.5 Gains and losses from subsequent measurement**

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been, had the impairment not been recognised.

Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

### **13.6 Derecognition of financial assets**

A financial asset or a portion thereof is derecognised when the NSF realises the contractual rights to the benefits specified in the contract, the rights expire, the NSF surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **13.7 Derecognition of financial liabilities**

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

### **13.8 Fair value considerations**

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the NSF could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.



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## 13.9 Risk management of financial assets and liabilities

It is the policy of the entity to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed on the reporting date.

Risks and exposure are disclosed as follows:

### 13.9.1 Credit risk:

- Each class of financial instrument is disclosed separately
- Maximum exposure to credit risk not covered by collateral is specified
- Financial instruments covered by collateral are specified.

### 13.9.2 Liquidity risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 18 to the Annual Financial Statements.

## 14. Related parties

### 14.1 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related party transactions are classified by the entity as those transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances. Related party transactions are therefore only recognised if the transaction occurred other than on an "arm's length" basis.

### 14.2 Key management personnel

Key management personnel is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. The senior executive manager of NSF on post level 14 is currently regarded as being at key management level including employees on level 13 or below acting in the position of senior executive manager. Transactions conducted with key management, as well as with close family members of key management, is regarded as related party transactions irrespective if they occurred on an arm's length basis or not.

## 15. Commitments

Commitments include expenditure approved and contracted as well as expenditure approved but not yet contracted. Approved and contracted commitments includes expenditure that has

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been approved and the contract has been awarded at the reporting date. Approved but not yet contracted commitments includes expenditure that has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

### **16. Contingent assets and contingent liabilities**

Management judgement is applied when measuring and recognising contingent assets and liabilities. The probability that an inflow or outflow of economic resources will occur due to past events, which will only be confirmed by the occurrence or non-occurrence of one or more future events as well as any possible financial impact is disclosed based on management estimation in the Disclosure Notes.

### **17. Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current financial year.

### **18. Standards, amendments to Standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the entity:

- GRAP 18: Segment reporting (Approved 26 April 2006)
- GRAP 21: Impairment of non-cash generating assets (Approved 01 March 2009)
- GRAP 23: Revenue from non-exchange transactions (Taxes and transfers, approved 14 February 2008)
- GRAP 25: Employee benefits (Approved 11 December 2009)
- GRAP 26: Impairment of cash-generating assets (Approved 01 March 2009)
- GRAP 103: Heritage assets (Approved 28 July 2008)
- GRAP 104: Financial instruments (Approved 15 October 2009).

Application of all of the above GRAP standards will be effective from a date to be announced by the minister of finance. Currently these dates have not yet been announced.

**The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the entity:**

- IAS 39: Financial instruments: Recognition and measurement - portions of standard effective 1 July 2009.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial performance, financial position or cash flows of the entity since the principals are similar to those already applied under the equivalent Statements of SA GAAP and embodied into the financial statements.

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*Notes to the Annual Financial Statements for the year ended 31 March 2010*

	Notes	2009/10 R'000	2008/09 R'000
<b>1. Skills development levy income from non-exchange transactions</b>			
In terms of the Skills Development Act and the Skills Development Levies Act, the total levy income per the Statement of Financial Performance is as follows:			
Percentage of payroll payable as Skills Development Levy		1%	1%
Skills Development Levies collected by SARS		7 815 556	7 234 135
Less: Amount withheld by the Department and paid to the SETA's (80%)		(6 252 445)	(5 787 308)
Skills Development Levies received from SARS (20%)		<u>1 563 111</u>	<u>1 446 827</u>
<b>2. State contribution</b>			
Transfer payments received from the Department of Labour		<u>48 951</u>	<u>46 949</u>
<b>3. Finance income</b>			
Interest income			
Investments - Public Investment Corporation (PIC)		372 126	395 159
Interest - other		394	1 758
Subtotal		<u>372 520</u>	<u>396 917</u>
<b>4. Other income</b>			
Interest received on SETA unspent funds	24	<u>2 466</u>	<u>3 824</u>

Other income represents interest received by the SETA's based on advance payments made by the NSF. This interest is utilised by the SETA's to incur project expenditure on behalf of NSF. Included in the amount for the current financial year (2009:R0,00 million) is an amount of R0,14 million affected through a change in an accounting estimate. Refer to note 24 for more detail.

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	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>5. Project expenses</b>			
<b>Social Development Funding Window</b>		<b>75 189</b>	162 030
<b>ABET Funding Window</b>		<b>99 406</b>	119 747
<b>Critical skills support</b>		<b>257 854</b>	256 053
Current / As previously stated		<b>257 854</b>	258 486
Prior year adjustment	23.1	-	(2 433)
<b>Provisioning support</b>		-	251
<b>Industry support programme</b>		<b>44 057</b>	50 287
<b>Informal sector support</b>		<b>1 123</b>	16 200
<b>Constituency capacity building and advocacy</b>		<b>414</b>	12 195
<b>Special projects</b>		<b>520</b>	8 829
Current / As previously stated		<b>520</b>	9 183
Prior year adjustment	23.2	-	(354)
<b>Discretionary and innovation</b>		<b>3 905</b>	22 140
<b>Strategic projects</b>		<b>306 235</b>	200 695
	<b>24</b>	<b>788 703</b>	848 427

Included in the amount for the current financial year (2009:R0,00 million) is an amount of R10,543 million affected through a change in an accounting estimate. Refer to note 24 for more detail.

	Notes	2009/10 R'000	2008/09 R'000
<b>6. Employee cost</b>			
<b>Salaries and wages</b>		<b>11 562</b>	10 217
Basic salaries		<b>9 532</b>	8 912
Performance awards		<b>9</b>	10
Service bonuses		<b>700</b>	653
Other non-pensionable allowance		<b>1 057</b>	953
Overtime payments		<b>385</b>	97
Leave accrual		<b>(144)</b>	(471)
Service bonus accrual		<b>23</b>	63
<b>Social contributions</b>		<b>2 292</b>	1 547
Provident Fund contributions: defined contribution plans		<b>1 638</b>	992
Medical aid contributions		<b>653</b>	554
Bargaining Council		<b>1</b>	1
<b>Total</b>		<b>13 854</b>	11 764
Average number of employees		<b>41</b>	41

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/09 R'000
<b>7. Other operating expenses</b>			
Consultancy and service provider fees		3 434	9 937
External auditor's remuneration:			
Audit fees		4 626	3 376
Provision for impairment		4 928	-
Telephone and fax		-	11
Travel and subsistence		2 182	2 230
		<u>15 170</u>	<u>15 554</u>
<b>8. Management fees and bank charges</b>			
Bank charges - commercial banks		8	13
Management fees - Public Investment Corporation (PIC)		1 273	975
		<u>1 281</u>	<u>988</u>
<b>9. Fair value adjustment on financial assets at fair value through surplus / deficit</b>			
<b>Held for trade financial assets</b>			
Fair value adjustment through surplus / (deficit)	12	<u>3 544</u>	<u>4 278</u>
Financial instruments designated at fair value through surplus / deficit upon initial recognition are investments in money market instruments with the Public Investment Corporation (PIC).			
<b>10. Prepaid expenditure</b>			
<b>10.1 SETA prepaid expenditure</b>	10.2	<u>7 327</u>	<u>11 834</u>
Prepaid expenditure represents funding advanced to SETA's for critical skills development. This prepaid expenditure relates to active SETA contracts. The NSF will only be entitled to the unspent funds, including any accrued interest, at the end of the project term.			
<b>10.2 Prepaid expenditure at financial year end</b>			
CHIETA		-	1 856
FASSET		-	201
FOODBEV		497	829
MAPPP SETA		-	6 470
MERSETA		5 525	-
MQA		1 305	2 478
		<u>7 327</u>	<u>11 834</u>

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/09 R'000
<b>11. Cash and cash equivalents</b>			
Cash at bank		3 188	81 753
Cash and cash equivalents at end of year		<b>3 188</b>	<b>81 753</b>

As required in Treasury Regulation 31.2, the National Treasury approved the banks where the NSF bank accounts are held. The weighted average interest rate on short term bank deposits was 7.33% (2009:11.07%).

Cash includes cash with commercial banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, net of bank overdrafts.

## 12. Financial assets at fair value through surplus / deficit

It is the policy of the NSF to account for changes in the fair value of monetary securities classified as held for trading through the Statement of Financial Performance. The fair value adjustment is calculated as the difference between the Market Value at the end of the reporting period and the cost of the investment. These investments are revaluated once a year at the end of the reporting period by the Public Investment Corporation (PIC). The latest revaluation was performed on 31 March 2010.

### Composition at fair value

Investments with the Public Investment Corporation (PIC)		<b>5 174 555</b>	3 935 526
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### Financial assets at fair value through surplus / deficit can be reconciled as follows:

Balance at the beginning of the year		<b>3 935 526</b>	3 016 723
Invested during the year		<b>1 628 359</b>	1 495 341
Interest received and capitalised		<b>372 126</b>	395 159
Withdrawal		<b>(765 000)</b>	(975 975)
Fair value adjustments	9	<b>3 544</b>	4 278
Closing balance end of year (None of the financial assets are impaired)		<b>5 174 555</b>	3 935 526

The NSF assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. None of the financial assets at fair value through surplus / deficit are impaired on reporting date.

The Skills Development Act and Regulations states that the NSF may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the approved NSF investment policy.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the NSF as a potential public entity that will be listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits. (Approval for the listing has not yet been approved by the Department of Labour).

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>13. Trade and other receivables</b>			
<b>Current</b>			
<b>13.1 The carrying and fair value of trade and other receivables are as follows:</b>			
SETA debtors	<b>13.2 and 13.3</b>	<b>3 318</b>	7 716
Advances to training providers for payment of allowances	<b>13.3 and 13.4</b>	<b>2 804</b>	6 945
Carrying amount		<b>7 732</b>	6 945
Less: Provision for impairment	<b>13.5</b>	<b>(4 928)</b>	-
Current / as previously stated		<b>6 122</b>	14 661
Prior year adjustment - Trade debtors	<b>23.3</b>	-	1 467
		<b>6 122</b>	<b>16 128</b>
<b>13.2 SETA debtors at financial year end</b>			
AGRISETA		<b>4</b>	3 252
CHIETA		<b>1 179</b>	-
FASSET		<b>222</b>	-
FIETA		<b>1 912</b>	-
HWSETA		<b>1</b>	37
INSETA		-	1 710
SETT		-	1 555
LGWSETA		-	1 162
		<b>3 318</b>	<b>7 716</b>

### 13.3 Ageing of trade and other receivables but not impaired

Trade and other receivables are all considered for impairment. Trade and other receivables more than 270 days past due are not considered to be impaired due to the nature of the outstanding debt from the SETA's. At 31 March 2010, R0,00 million (2009:R7,473 million) were more than 270 days past due but not impaired. The ageing of amounts past due but not impaired is as follows:

	2010 Current R'000	2010 31 to 180 days R'000	2010 181 to 270 days R'000	2010 Over 270 days R'000	2010 Total R'000
SETA debtors	<b>222</b>	<b>3 091</b>	-	<b>5</b>	<b>3 318</b>
	<b>222</b>	<b>3 091</b>	-	<b>5</b>	<b>3 318</b>
	2009 Current R'000	2009 31 to 180 days R'000	2009 181 to 270 days R'000	2009 Over 270 days R'000	2009 Total R'000
Trade debtors	-	-	-	1 467	1 467
SETA debtors	-	-	1 710	6 006	7 716
Advances to training providers for payment of allowances	14	6 931	-	-	6 945
	<b>14</b>	<b>6 931</b>	<b>1 710</b>	<b>7 473</b>	<b>16 128</b>

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Notes to the Annual Financial Statements for the year ended 31 March 2010

## 13.4 Ageing of trade and other receivables impaired

As at 31 March 2010, trade and other receivables of R2,804 million (2009:R0,00 million) were impaired and provided for. The amount of the provision was R4,928 million as at 31 March 2010 (2009:R0,00 million). The reason for not providing for impairment during the previous financial year was due to a lack of objective evidence regarding the recoverability of the outstanding debt at the reporting date. The debt reconciliation process was completed during the current 2009/10 financial year which enabled the National Skills Fund to identify long outstanding debt relating to non-active supplier contracts. The ageing of the amounts impaired is as follows:

	2010 Current R'000	2010 31 to 180 days R'000	2010 181 to 270 days R'000	2010 Over 270 days R'000	2010 Total R'000
Advances to training providers for payment of allowances	226	1 575	70	933	2 804
	<b>226</b>	<b>1 575</b>	<b>70</b>	<b>933</b>	<b>2 804</b>

	2009 Current R'000	2009 31 to 180 days R'000	2009 181 to 270 days R'000	2009 Over 270 days R'000	2009 Total R'000
Advances to training providers for payment of allowances	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2009/10 R'000	2008/09 R'000
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## 13.5 Reconciliation of provision for impairment

Opening balance	-	-
Provision for impairment	4 928	-
	<b>4 928</b>	<b>-</b>

Trade and other receivables are individually impaired when there is objective evidence that the asset is impaired. The creation and release of the provision for impaired receivables have been included in other operating expenses in the Statement of Financial Performance (note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above.

## Credit quality of trade and other receivables

Management considers that all of the above financial assets are of good credit quality. The maximum exposure to credit risk at reporting date is the fair value of each class of receivable as mentioned above.



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## National Skills Fund

Notes to the Annual Financial Statements for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>14. Trade and other payables</b>			
<b>14.1 Composition</b>			
Trade payables		49 171	33 017
SETA payables	14.2	13 087	4 838
As previously stated		13 087	4 817
Prior year adjustment	23.1	-	21
SARS payable		4 290	4 343
Other payables due to Department		2 745	548
As previously stated		2 745	902
Prior year adjustment	23.2	-	(354)
Leave and bonus accruals	14.3	942	1 063
Total trade and other payables		<b>70 235</b>	<b>43 809</b>
<b>14.2 SETA payables at financial year end</b>			
AGRISETA		2 331	-
ESETA		-	21
FIETA		-	4 357
MQA		7	-
SERVICES SETA		10 749	460
		<b>13 087</b>	<b>4 838</b>
<b>14.3 Leave and bonus accruals</b>			
Balance at the beginning of the year		1 063	1 471
Amounts utilised during the year		(144)	(471)
Change in estimate		23	63
Closing carrying amount		<b>942</b>	<b>1 063</b>
Non-current		-	-
Current		<b>942</b>	<b>1 063</b>
Total		<b>942</b>	<b>1 063</b>

Leave is calculated based on leave days outstanding at year end and quantified in terms of total cost of employment per employee. The bonus accrual relates to thirteenth cheque commitments owed to NSF employees at financial year end.

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>15. Reconciliation of net cash flow from operating activities to net surplus/(deficit)</b>			
Net surplus/(deficit) as per Statement of Financial Performance		1 119 525	968 478
Adjusted for non-cash items:			
Fair value adjustment on financial assets at fair value through surplus / deficit		(3 544)	(4 278)
Increase/(decrease) in provisions			
Relating to employment		(121)	(409)
Relating to impairment		4 928	-
Adjusted for items separately disclosed			
Finance income		(372 520)	(396 917)
Adjusted for working capital changes:		36 132	(32 942)
(Increase)/decrease in trade and other receivables		5 078	25 226
(Increase)/decrease in prepaid expenditure		4 507	9 831
Increase/(decrease) in trade and other payables		26 547	(67 999)
<b>Cash generated from operations</b>		<b>784 400</b>	<b>533 932</b>

	Notes	2009/10 R'000	2008/09 R'000
<b>16. Commitments</b>			
Approved and contracted	16.1	844 548	871 592
Approved but not yet contracted		256	55 783
<b>Total future expenditure</b>		<b>844 804</b>	<b>927 375</b>

16.1 Expenditure contracted for at balance sheet date, which will be financed through ordinary trading operations, but not recognised in the Financial Statements is as follows:

Funding window (2009/10)	Approved and contracted	Less amount transferred prior years	Less amount transferred	Commitments released/paid/cancelled/adjusted during the year	Total remaining commitments
R'000	R'000	R'000	R'000	R'000	
Social Development					
Funding Window	1 101 901	(945 629)	(70 006)	(3 092)	83 173
Abet Funding Window	236 450	(127 062)	(99 406)	-	9 982
Critical Skills Support	644 740	(104 704)	(257 460)	(3 221)	279 354
Industry Support Programme	197 243	(4 292)	(44 057)	4 511	153 405
Informal Sector Support	30 143	(25 959)	(1 123)	(884)	2 177
Constituency Capacity Building and Advocacy	2 130	-	(414)	-	1 716
Discretionary and Innovation	52 178	(49 455)	(3 905)	3 863	2 682
Strategic Projects	1 034 652	(388 371)	(306 235)	(27 986)	312 059
<b>Total</b>	<b>3 299 437</b>	<b>(1 645 472)</b>	<b>(782 607)</b>	<b>(26 809)</b>	<b>844 548</b>

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*Notes to the Annual Financial Statements for the year ended 31 March 2010*

Funding window (2008/09)	Approved and contracted	Less amount transferred prior years	Less amount transferred	Commitments released/paid/cancelled/adjusted during the year	Total remaining commitments
R'000	R'000	R'000	R'000	R'000	
Social Development					
Funding Window	1 003 035	(807 871)	(139 656)	(13 228)	<b>42 280</b>
Abet Funding Window	216 450	-	(119 747)	-	<b>96 703</b>
Critical Skills Support	523 492	(132 916)	(258 486)	(115 656)	<b>16 434</b>
Provisioning Support	2 640	(1 320)	(251)	(1 069)	-
Industry Support Programme	184 976	(13 010)	(24 958)	(37 607)	<b>109 401</b>
Informal Sector Support	31 934	(9 759)	(16 200)	(1 840)	<b>4 135</b>
Constituency Capacity Building and Advocacy	12 195	-	(12 195)	-	-
Discretionary and Innovation	73 428	(38 326)	(22 140)	2 062	<b>15 024</b>
Strategic Projects	1 025 098	(208 802)	(200 695)	(27 986)	<b>587 615</b>
<b>Total</b>	<b>3 073 248</b>	<b>(1 212 004)</b>	<b>(794 328)</b>	<b>(195 324)</b>	<b>871 592</b>

**Notes:**

The expenditure for the Social Development Funding Window excludes the payments of allowances to trainees.

	2009/10 R'000	2008/09 R'000
<b>17. Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance - previous year	648 406	588 914
Add: Irregular expenditure - current year	4 519	59 492
Less: Amounts condoned	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonation	<b>652 925</b>	<b>648 406</b>
<b>Analysis of irregular expenditure per age classification</b>		
Current year	4 519	59 492
Prior years	648 406	588 914
<b>Total</b>	<b>652 925</b>	<b>648 406</b>

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National Skills Fund

Notes to the Annual Financial Statements for the year ended 31 March 2010

		2009/10 R'000	2008/09 R'000
<b>Details of irregular expenditure</b>			
<b>Incident</b>	<b>Disciplinary steps taken/ criminal proceedings</b>	<b>Number of cases</b>	
<b>Non-compliance to requirements of Supply Chain Management</b>			
<b>Opening balance - previous year</b>		<b>38 752</b>	<b>648 406</b>
2006/07	n/a	15 956	309 795
2007/08	n/a	14 442	279 119
2008/09	n/a	8 354	-
Current year	n/a	275	59 492
Less: amounts condoned	n/a	-	-
<b>Total</b>		<b>39 027</b>	<b>648 570</b>

Irregular expenditure incurred relates to non compliance with supply chain management procedures with regards to the training of unemployed persons under the Social Development Funding Window since the 2006/07 financial year. These contracts were awarded as multiple year contracts. National Treasury was previously requested to grant condonation for the irregular expenditure incurred which was not approved. The National Skills Fund has initiated further investigations regarding the irregular expenditure incurred and has determined that no person can be held liable in law. National Treasury will again be approached during the 2010/11 financial year to grant condonation for the irregular expenditure incurred.

<b>Incident</b>	<b>Disciplinary steps taken/ criminal proceedings</b>	<b>Number of cases</b>	
<b>Non-compliance to delegation of authority</b>			
<b>Opening balance - Previous year</b>		-	-
<b>Current year</b>	n/a	<b>1</b>	<b>4 355</b>
<b>Less: Amounts condoned</b>	n/a	-	-
<b>Total</b>		<b>1</b>	<b>4 355</b>

Irregular expenditure incurred relates to non compliance with the delegation of authority regarding a payment made to the South African Revenue Services for the collection of skills development levy income. The payment was not approved in terms of the approved delegation of authority. The irregular expenditure incurred during current 2009/10 financial year will be submitted to the Accounting Authority for condonement in the new 2010/11 financial year.

## 18. Financial instruments

### Categories of financial instruments

Except as detailed in the following table, the NSF management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Statements approximate their fair values:

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<b>Current financial assets</b>			
<b>Carrying amount</b>		<b>5 177 321</b>	<b>4 030 407</b>

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Notes to the Annual Financial Statements for the year ended 31 March 2010

	Notes	2009/10 R'000	2008/09 (Restated) R'000
Cash and cash equivalents	11	3 188	81 753
Financial assets at fair value through surplus / deficit		5 168 011	3 932 526
Trade and other receivables	13	6 122	16 128
Current / as previously stated		6 122	14 661
Prior year adjustment - trade debtors	23.3	-	1 467
<b>Current financial liabilities</b>			
<b>Carrying amount</b>			
Trade and other payables	14	70 235	43 809
<b>Current financial assets</b>			
<b>Fair value</b>			
		5 183 865	4 033 407
Cash and cash equivalents	11	3 188	81 753
Financial assets at fair value through surplus / deficit	12	5 174 555	3 935 526
Trade and other receivables	13	6 122	16 128
Current / as previously stated		6 122	14 661
Prior year adjustment - trade debtors	23.3	-	1 467
<b>Current financial liabilities</b>			
<b>Fair value</b>			
Trade and other payables	14	70 235	43 809

## Fair values

As indicated above the NSF's financial instruments consist mainly of cash and cash equivalents, investments held for trade, trade and other receivables and trade and other payables. No financial instruments were carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

Financial assets and financial liabilities are recognised on the entities Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The following methods and assumptions are used to determine the fair value of each class of financial instruments:

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. The carrying amount of cash and cash equivalents approximates fair value due to the relatively shortterm maturity of these financial assets.

### Financial assets at fair value through surplus / deficit

Held for trading financial instruments are initially recorded at fair value plus transaction costs and subsequently measured at fair value through surplus or deficit.

### Accounts receivable

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. The carrying amount of accounts receivable, net of allowance for bad debt, approximates fair value due to the relatively short-term maturity of these financial assets.

### Accounts payable

Trade and other payables are stated at amortised cost, which approximates their fair value due to the relatively short-term maturity of these financial liabilities.

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Notes to the Annual Financial Statements for the year ended 31 March 2010

## Financial instrument risk

In the course of the NSF operations it is exposed to market, interest rate, credit, and liquidity risk. Due the conversion process to a potential Public Entity, the NSF developed a comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below:

### Market risk

#### i) Foreign exchange risk

The NSF does not initiate any transactions with international parties and is therefore not exposed to any exchange risk do to currency fluctuations. All transactions are denominated in South African Rand with local vendors.

#### ii) Price risk

The NSF is exposed to equity securities price risk because of investments held and classified as financial assets at fair value through surplus / deficit on the Statement of Financial Position. These financial assets are classified as held for trade. The NSF is not exposed to commodity price risk.

To manage its price risk arising from equity securities the NSF diversifies its portfolio with the Public Investment Corporation (PIC). Diversification of the portfolio is done in accordance with limits set and agreed with the PIC.

#### iii) Cash flow and fair value interest rate risk

As the NSF has significant interest bearing assets, the revenue and operating cash flows are substantially depend on changes in market interest rates. As the NSF does not have significant interest bearing liabilities, the expense and cash flows are not substantially dependent on changes in market interest rates.

## 18. Financial instruments (Continued)

The NSF exposure to interest rate risk and effective interest rates on financial instruments at reporting date are as follows:

	Effective interest rate %	Subject to interest rate movement: floating R'000	Non-interest bearing R'000	Total R'000
<b>Year ended 31 March 2010</b>				
<b>Current financial assets</b>	<b>7.33%</b>	<b>5 174 555</b>	<b>9 310</b>	<b>5 183 865</b>
Cash and cash equivalents	7.33%	-	3 188	3 188
Financial assets at fair value through surplus / deficit	7.33%	5 174 555	-	5 174 555
Trade and other receivables	n/a	-	6 122	6 122
<b>Current financial liabilities</b>	<b>n/a</b>	<b>-</b>	<b>70 235</b>	<b>70 235</b>
Trade and other payables	n/a	-	70 235	70 235
<b>Year ended 31 March 2009</b>				
<b>Current financial assets</b>	<b>11.07%</b>	<b>3 935 526</b>	<b>97 881</b>	<b>4 033 407</b>
Cash and cash equivalents	11.07%	-	81 753	81 753
Financial assets at fair value through surplus / deficit	11.07%	3 935 526	-	3 935 526
Trade and other receivables	n/a	-	16 128	16 128
<b>Current financial liabilities</b>	<b>n/a</b>	<b>-</b>	<b>43 809</b>	<b>43 809</b>
Trade and other payables	n/a	-	43 809	43 809

### Interest rate sensitivity

The NSF is sensitive to the movements in the Money Market Repo Rate which is the primary rate to which the investment portfolios are exposed. The rates of sensitivity are based on management's assessment of possible change

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Notes to the Annual Financial Statements for the year ended 31 March 2010

to the interest rates and is formulated on a 100 basis point movement. If the Money Market Repo increased and decreased at year end by 100 basis points (2009:100 basis points) respectively, then the income from investments would have increased by R45 504 million (2009: R35 160 million) and decreased by R45 504million (2009: R35 160 million) respectively.

## Credit risk

Financial assets, which potentially subject the NSF to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable. Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The NSF management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of the Treasury Regulations.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The NSF does not have any material exposure to any individual or counter-party. The NSF's concentration of credit risk is limited to the industry in which the NSF operates. No events occurred in the industry during the financial year that may have an impact on the recovery of trade and other receivables.

Before training advances are paid to service suppliers, provider vetting as well as site visits are conducted by the NSF. A list of successful providers are compiled and approved by the Departmental Bid Adjudication Committee (DBAC) prior to the disbursement of any funds. The risk of non-performance by these counter parties are also mitigated through the application of a reconciliation process which initiates the clearing of an outstanding provider advance before a second advance will be granted.

## 18. Financial instruments (Continued)

The Funds maximum exposure to credit risk is equal to the total value of the following assets:

	Rated R'000	Non-rated R'000	Total R'000
<b>2010</b>			
Cash and cash equivalents	-	3 188	3 188
Financial assets at fair value through surplus / deficit	5 174 555	-	5 174 555
Trade and other receivables	6 122	-	6 122
	<b>5 180 676</b>	<b>3 188</b>	<b>5 183 865</b>
<b>2009</b>			
Cash and cash equivalents	-	81 753	81 753
Financial assets at fair value through surplus / deficit	3 935 526	-	3 935 526
Trade and other receivables	16 128	-	16 128
	<b>3 951 654</b>	<b>81 753</b>	<b>4 033 407</b>

## Liquidity risk

The NSF manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

Forecast liquidity reserve as of 31 March 2010 is as follows:

	2011 R'000	2012 R'000	2013 R'000
Opening balance for the period	2 087 719	1 113 498	555 138
Operating proceeds	1 716 554	1,889 646	2 080 661
Operating outflow	(3 018 206)	(2 791 808)	(2 962 892)
Cash flow from investments	327 431	343 802	378 182
Closing balance for the period	<b>1 113 498</b>	<b>555 138</b>	<b>51 089</b>

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The table below analyses the financial liabilities that will be settled on a net basis into the relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date:

At 31 March 2010	Less than 1 year R'000	Total R'000
Trade and other payables	<b>70 235</b>	<b>70 235</b>

At 31 March 2009	Less than 1 year R'000	Total R'000
Trade and other payables	43 809	43 809

## 19. Contingent liabilities

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<i>The following contingent liabilities exist:</i>			
THETA creditor	19.1	<b>12 728</b>	-
PSETA creditor		-	-
As previously stated		-	15 000
Prior year adjustment recognised by PSETA	20.3	-	(15 000)
Legal claims instituted against NSF	19.2	<b>1 286</b>	1 286
Application to retain accumulated surplus	19.3	<b>5 120 957</b>	4 001 432
Current / as previously stated		<b>5 120 957</b>	3 999 632
Prior year adjustment	23	-	1 800
		<b>5 134 971</b>	<b>4 002 718</b>

19.1 An amount of R12,7 million is disclosed by the THETA as an amount owing by the NSF at year end which relates to expenditure incurred for the execution of the Critical Skills Support project for unemployed learners which expired on 31 December 2007. The NSF has to date not received any supporting documentation or quarterly reports from the THETA supporting this claim despite numerous communications and requests submitted by the NSF. According to the THETA the project closure report is in the final internal audit stage and will be submitted in due course. The NSF is currently awaiting supporting documentation from the THETA before a trade payable will be recognised.

19.2 The legal claims instituted against the NSF related to three cases instituted by service providers who rendered skills development training on behalf of the NSF. These cases are being investigated by the NSF and the relevant State Attorney.

19.3 The NSF applied for the retention of the 31 March 2010 accumulated surplus in terms of section 53 (3) of the PFMA from National Treasury during the first quarter of the 2010/11 financial year. This approval has not yet been granted by National Treasury. A contingent liability for the total accumulated surplus is therefore disclosed.

## 20. Contingent assets

	Notes	2009/10 R'000	2008/09 (Restated) R'000
<i>The following contingent asset exist:</i>			
Legal claims instituted by NSF	20.1	<b>259</b>	295
Alleged fraud cases pending investigation	20.2	<b>472</b>	-
PSETA Debtor	20.3	<b>7 803</b>	7 779
		<b>8 534</b>	<b>8 074</b>



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### Notes to the Annual Financial Statements for the year ended 31 March 2010

- 20.1 The legal claim instituted by NSF relates to a case where the service provider received an advance payment to conduct skills development training on behalf of NSF. Difficulties were experienced with the services rendered by the service provider and as a result this case was referred to the State Attorney for recovery which is currently under investigation
- 20.2 The alleged fraud cases refer to four cases where allegations of corruption relating to service providers have been identified and are currently being investigated by the NSF and the relevant State Attorney.
- 20.3 An amount of R7,803 million (2009: R7,779 million) is disclosed by PSETA as an amount owing to NSF at year end for unspent funds relating to the learnership programme under the critical skills funding window. This amount has been recorded as a prior year adjustment (2009: R15,000 million contingent liability for NSF) by PSETA during the 2009/10 financial year. Despite numerous appeals NSF has to date not received any compliant quarterly reports from PSETA indicating how the funds were utilised. Due to a lack of compliant reporting and supporting documentation, NSF is not in a position to place reliance on the amount disclosed by PSETA as owed to NSF. A trade debtor will only be recorded as soon as the current investigation is completed and the outstanding balance verified.

## 21. Related party transactions

	No of individuals	2009/10 R'000	2008/09 R'000
<b>21.1 Key management personnel</b>			
<b>Short term employee benefits</b>			
<b>Post level</b>			
Level 14 *	1	752	164

Personnel remuneration is paid by the Department of Labour and claimed back as part of the 2% administration fee.

\*This Senior Executive post has been vacant since 1 October 2009 (nine months during the previous 2008/09 financial year) and is currently occupied by an Executive Manager on post level 13 who is acting in this position. No transactions were conducted with any family members of key management personnel during the current or previous period under review.

	Notes	2009/10 R'000	2008/09 R'000
<b>22. Defined contribution plan</b>			

The NSF provides for retirement benefits for all its permanent employees through a defined contribution scheme to the GEPF that is subjected to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the Fund is not required to be actuarially valued.

The NSF's liability is limited to its considerations made. There are 41 employees who are members of the GEPF to which the NSF contribute 13% in every Rand contributed by the employees towards the GEPF.

Contributions for the year included employee cost	6	1 638	992
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## 23. Prior year adjustments

- 23.1 During the compilation of the 2008/09 Annual Financial Statements, ESETA did not submit their Annual Financial Statements in terms of the required timeframes. The NSF could therefore not establish the outstanding amounts owed to ESETA for the respective 2007/08 and 2008/09 financial years. This resulted in an under-statement of 2007/08 expenditure, 2007/08 liabilities as well as an over-statement of expenditure for the 2008/09 financial year. These balances were only made available during the 2009/10 financial year which were recorded as a prior year adjustment.

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Notes to the Annual Financial Statements for the year ended 31 March 2010

23.2 During the compilation of the 2008/09 financial statements, an amount owed the Department was erroneously included in the accrual listing as at 31 March 2009. Verification of subsequent payments made to the Department revealed that the outstanding claim was settled in 2008/09. This correction is recorded as a prior year adjustment.

23.3 During the 2009/10 financial year a refund was received from the University of South Africa (UNISA) relating to the 2007/08 project expenditure incurred in the ABET Funding Window. This refund constitutes receipt of prior year expenditure. A trade debtor has therefore been created for UNISA as at 1 April 2008 to ensure that the refund received in 2009/10 is correctly allocated to the outstanding debtor balance. This correction is therefore recorded as a prior year adjustment.

These prior year adjustments have been corrected and the comparative figures have been appropriately adjusted where applicable.

The impact of these adjustments on the Statement of Financial Performance and the Statement of Financial Position for the year ending 31 March 2009 are as follows:

	Notes	2008/09 (Restated) R'000
<b>Statement of Financial Performance:</b>		
<b>Expenses</b>		
		930 317
As previously stated		933,104
Prior year adjustment	23.1	(2 433)
Prior year adjustment	23.2	(354)
<b>Project expenses</b>		
		848 427
As previously stated		851 214
Prior year adjustment	23.1	(2 433)
Prior year adjustment	23.2	(354)
<b>Net surplus for the year</b>		
		968 478
As previously stated		965 691
Prior year adjustment	23.1	2 433
Prior year adjustment	23.2	354
<b>Statement of Financial Position:</b>		
<b>Current assets</b>		
		4 045 241
As previously stated		4 043 774
Prior year adjustment	23.3	1 467
<b>Trade and other receivables from non-exchange transactions</b>		
		16 128
As previously stated		14 661
Prior year adjustment	23.3	1 467
<b>Current liabilities</b>		
		43 809
As previously stated		44 142
Prior year adjustment	23.1	21
Prior year adjustment	23.2	(354)
<b>Capital and reserves</b>		
		4 001 432
As previously stated		3 999 632
Prior year adjustment	23.1	(21)
Prior year adjustment	23.2	354
Prior year adjustment	23.3	1 467

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Notes to the Annual Financial Statements for the year ended 31 March 2010

### 24. Change in accounting estimate

As defined in GRAP 3 a change in an accounting estimate is an adjustment of the carrying amount of an asset or liability, or the amount of periodic consumption, resulting from reassessing the present status of, and the expected future benefits and obligations associated with, the asset or the liability. Changes in accounting estimates result from new information or new developments and, accordingly are not corrections of errors.

- 24.1 SETA debtor balances as well and pre-paid expenditure balances are verified in consultation with the information as disclosed in the various SETA financial statements. Subsequent to the verification of the SETA balances for the previous financial year, amendments were effected by CHIETA, MAPPPSETA and WRSETA. These changes made by the various SETA's are accounted for as a change in accounting estimate as the new information was only made available subsequent to the publication of the 2008/09 NSF financial statements.
- 24.2 Due to the nature of NSF operations, registered project claims undergo a verification process before the actual payments are made. During the verification process the validity and accuracy of the claims are confirmed, recalculated and communicated with the training providers. Changes identified through this process are accounted for as a change in accounting estimate in terms GRAP 3 in relation to previous year registered accruals included in trade and other payables.

The impact of these adjustments on the Statement of Financial Performance and the Statement of Financial Position for the year ending 31 March 2010 are as follows:

	Notes	2009/10 R'000
<b>Other income</b>	<b>4 and 24.1</b>	
Interest received on SETA unspent funds		(142)
<b>Project expenses</b>	<b>5 and 24.2</b>	<b>(10 543)</b>
Constituency Capacity Building and Advocacy		(438)
Critical Skills Support		1 317
Discretionary and Innovation		(356)
Industry Support Programme		(272)
Social Development Funding Window		(10 794)

The effect of the changes are an increase in the opening balance of prepaid expenditure from R11,834 million to R13,150 million, a decrease in the opening balance of trade and other receivables from R14,661 million to R14,485 million, a decrease in the opening balance of trade and other payables from R44,142 million to R32,754 million as well as a decrease in project expenditure and other income as indicated above.

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Notes to the Annual Financial Statements for the year ended 31 March 2010

## 25. Comparison of budget and actual amounts

Budget information is provided in accordance with GRAP 1 for the current financial year as a reconciliation between the budgeted deficit and the net surplus per the Statement of Financial Performance as the budget is prepared on the modified cash basis of accounting while the financial statements are presented on the accrual basis of accounting.

	Notes	2009/10 Budgeted amounts	2009/10 Actual amounts	2009/10 Variances
			R'000	R'000
<b>Revenue from non-exchange transactions</b>		<b>1 304 778</b>	<b>1 612 062</b>	<b>(307 284)</b>
Skills Development Levy: income	1	1 255 827	1 563 111	(307 284)
State contribution	2	48 951	48 951	-
<b>Revenue from exchange transactions</b>				
Finance income and other income	3&4	317 894	374 986	(57 092)
Fair value adjustment on financial assets at fair value through surplus / deficit	9	-	3 544	(3 544)
<b>Total revenue</b>		<b>1 622 672</b>	<b>1 990 592</b>	<b>(367 920)</b>
<b>Expenses</b>		<b>3 470 479</b>	<b>871 067</b>	<b>2 599 412</b>
<b>Project expenses</b>	5	<b>3 338 879</b>	<b>788 703</b>	<b>2 550 176</b>
Social Development Funding Window		652 172	75 189	576 983
Abet Funding Window		192 703	99 406	93 297
Critical Skills Support		264 434	257 854	6 580
Industries Support Programme		135 696	44 057	91 639
Informal Sector Support		56 135	1 123	55 012
Constituency Capacity Building and Advocacy		10 000	414	9 586
Special Projects		15 100	520	14 580
Discretionary and Innovation		25 024	3 905	21 119
Strategic Projects		1 887 615	306 235	1 581 380
Contingency		100 000	-	100 000
<b>Employee cost</b>	6	<b>25 659</b>	<b>13 854</b>	<b>11 805</b>
Salaries and wages		12 757	9 532	3 225
Performance awards		8 732	9	8 723
Service bonuses		884	700	184
Other non-pensionable allowances		1 130	1 057	73
Overtime payments		-	385	(385)
Leave accrual		-	(144)	144
Service bonus accrual		-	23	(23)
Social contributions		1 334	1 638	(304)
Medical aid contributions		820	653	167
Bargaining council		2	1	1
<b>Other operating expenses</b>	7	<b>20 391</b>	<b>15 170</b>	<b>5 221</b>
Consultancy and service provider fees		11 662	3 434	8 228
Travel and subsistence		2 562	2 182	380
External auditors remuneration - audit fees		5 000	4 626	374
Entertainment		15	-	15

# Annual Financial Statements

*National Skills Fund*

*Notes to the Annual Financial Statements for the year ended 31 March 2010*

	Notes	2009/10 Budgeted amounts	2009/10 Actual amounts	2009/10 Variances
			R'000	R'000
Catering		82	-	82
Resettlement cost		125	-	125
Storage cost		55	-	55
Venues and facilities		73	-	73
Staff capacity workshops and training		700	-	700
Provision for impairment		-	4 928	(4 928)
Telephone and fax		117	-	117
<b>Management fees and bank charges</b>	<b>8</b>	<b>800</b>	<b>1 281</b>	<b>(481)</b>
<b>Collection cost to SARS</b>		<b>69 000</b>	<b>52 059</b>	<b>16 941</b>
<b>Capital expenditure</b>		<b>15 750</b>	<b>-</b>	<b>15 750</b>
Capital expenditure: office equipment		182	-	182
Capital expenditure: office furniture		115	-	115
IT system development		14 900	-	14 900
Inventory		553	-	553
<b>Net surplus / (deficit) for the year</b>		<b>(1 847 807)</b>	<b>1 119 525</b>	<b>(2 967 331)</b>

# **Section 5**

## **Human Resource Management**

## Human Resource Management

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## Human Resource Management

### 1. Expenditure

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, 2009/10*

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 percent of total expenditure	Average compensation of employees cost per employee (R'000)
Administration	419 996	69 330	1 440	5 844	3.36	200
Service Delivery	710 368	473 193	8 348	3 365	22.93	160
Employment and Skills Development Services/ Human Resource Development	390 644	54 227	638	1 294	2.63	142
Labour Policy and Labour Market Programmes	536 437	37 191	549	1 252	1.80	260
Social Insurance	6 013	0	0	0	0	0
<b>Subtotal</b>	<b>2 063 458</b>	<b>633 942</b>	<b>10 975</b>	<b>11 755</b>	<b>30.72</b>	<b>762</b>
Statutory	7 815 556	0	0		0	0
<b>Total</b>	<b>9 879 014</b>	<b>633 942</b>	<b>10 975</b>	<b>11 755</b>	<b>30.72</b>	<b>762</b>

*Table 1.2 Personnel costs by salary bands, 2009/10*

Salary bands	Personnel expenditure (R'000)	% of total personnel cost	Average compensation cost per employee (R'000)
Lower skilled (Levels 1 - 2)	0	0	0
Skilled (Levels 3 - 5)	120 326	18.98	33
Highly skilled production (Levels 6 - 8)	282 021	44.49	75
Highly skilled supervision (Levels 9 - 12)	189 106	29.83	198
Senior management (Levels 13 - 16)	42 488	6.70	434
Other	0	0	0
<b>Total</b>	<b>633 942</b>	<b>100.00</b>	<b>740</b>

**\*The Unemployment Insurance Fund and the Compensation Fund are included**

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.



## Human Resource Management

*Table 1.3 Salaries, overtime, home owners allowance and medical assistance by programme, 2009/10*

Programme	Salaries		Overtime		Home owners allowance		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	44 054	6.95	2 397	0.38	1 013	0.16	2 628	0.41
Programme 2: Service Delivery	339 220	53.51	3 204	0.51	10 919	1.72	29 245	4.61
Programme 3: Employment and Skills Development Services/ Human Resource Development	37 551	5.92	1 838	0.29	1 414	0.22	2 932	0.46
Programme 4: Labour Policy and Labour Market Programmes	25 313	3.99	165	0.03	442	0.07	1 243	0.20
Programme 5: Social Insurance	0	0	0	0	0	0	0	0
<b>Total</b>	<b>446 138</b>	<b>70.38</b>	<b>7 604</b>	<b>1.20</b>	<b>13 788</b>	<b>2.17</b>	<b>36 048</b>	<b>5.69</b>

*Table 1.4 Salaries, overtime, home owners allowance and medical assistance by salary bands, 2009/10*

Salary bands	Salaries		Overtime		Home owners allowance		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)	0	0.00	0	0.00	0	0.00	0	0.00
Skilled (Levels 3 - 5)	191 906	43.01	3 271	43.52	5 931	43.01	15 506	43.01
Highly skilled production (Levels 6 - 8)	198 319	44.45	3 380	44.98	6 129	44.45	16 024	44.45
Highly skilled supervision (Levels 9 - 12)	50 719	11.37	864	11.50	1 567	11.37	4 098	11.37
Senior management (Levels 13 - 16)	5 194	1.16	0	0.00	161	1.16	420	1.16
Other	0.00	0	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>446 138</b>	<b>100.00</b>	<b>7 515</b>	<b>100.00</b>	<b>13 788</b>	<b>100.00</b>	<b>36 048</b>	<b>100.00</b>

**\*The Unemployment Insurance Fund and the Compensation Fund are included**

## Human Resource Management

### 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 2010*

Programme	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Administration (Corporate Services)	391	301	23.0	2
Service Delivery	5 836	5 030	13.8	101
Employment and Skills Development Services	394	341	13.5	0
Labour Policy and Labour Market Programmes	132	105	20.5	10
Social Insurance	UIF: 450 CF : 709	UIF: 401 CF : 641	19.6	UIF: 11 CF : 306
<b>Total</b>	<b>*7 912</b>	<b>6 819</b>	<b>13.8</b>	<b>430</b>

**\*Posts of the Unemployment Insurance Fund and the Compensation Fund are included.**

*Table 2.2 Employment and vacancies by salary bands, 31 March 2010*

Salary band	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1 - 2)	0	0	0	0
Skilled (Levels 3 - 5)	3 202	2 832	11.6	336
Highly skilled production (Levels 6 - 8)	3 713	3 134	15.6	26
Highly skilled supervision (Levels 9 - 12)	906	774	14.6	14
Senior management (Levels 13 - 16)	91	79	13.2	54
<b>Total</b>	<b>*7 912</b>	<b>6 819</b>	<b>13.8</b>	<b>430</b>

**\*Posts of the Unemployment Insurance Fund and the Compensation Fund are included.**

## Human Resource Management

*Table 2.3 – Employment and vacancies by critical occupation, 31 March 2010*

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Administrative related	2 100	1 979	5.8	384
Artisans	2	2	0	0
Cleaners	165	145	12.1	0
Client Service Officers	1 393	1 304	6.4	0
Communication related	32	30	6.3	1
Employment Service Practitioners	264	239	25.0	0
Financial related	589	403	31.6	22
Food Services Aid	16	13	18.8	0
Head of Department	1	1	0	0
Housekeepers, laundry and related	9	8	11.1	0
Human resource related	609	468	23.2	12
Information technology	0	0	0	0
Inspectors	1 356	1 163	14.2	0
Legal related	16	12	25.0	0
Librarian and related	1	1	0	0
Drivers	32	26	18.8	0
Logistical support and related	724	576	20.4	0
Medical Practitioners	15	6	60.0	0
Messengers	77	64	16.9	3
National Technical Examiners	49	36	26.5	0
Production Advisors	1	1	0	0
Minister	1	1	0	0
Security related	203	136	33.0	1
Secretarial related	98	64	34.7	1
Senior management	88	72	18.2	6
Trade Labourers	71	69	2.8	0
<b>Total</b>	<b>*7 912</b>	<b>6 819</b>	<b>13.8</b>	<b>430</b>

**\*Posts of the Unemployment Insurance Fund and the Compensation Fund are included.**

## Human Resource Management

### 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.

*Table 3.1 Job evaluation, 1 April 2009 to 31 March 2010*

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 down-graded
Lower skilled (Levels 1 - 2)	0	0	0	0	0	0	0
Skilled (Levels 3 - 5)	3 202	12	0.3	4	0.1	0	0
Highly skilled production (Levels 6 - 8)	3713	29	1	18	0.6	0	0
Highly skilled supervision (Levels 9 - 12)	906	36	4.3	1	0.1	0	0
Senior Management Service Band A	57	12	21.8	0	0	0	0
Senior Management Service Band B	24	2	9.1	2	9.1	0	0
Senior Management Service Band C	9	1	11	0	0	0	0
Senior Management Service Band D	1	0	0	0	0	0	0
<b>Total</b>	<b>7 912</b>	<b>92</b>	<b>47.5</b>	<b>24</b>	<b>9.9</b>	<b>0</b>	<b>0</b>

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

*Table 3.2 Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2009 to 31 March 2010*

Beneficiaries	African	Asian	Coloured	White	Total
Female*	273	5	30	18	326
Male	345	10	64	17	436
<b>Total</b>	<b>618</b>	<b>15</b>	<b>94</b>	<b>35</b>	<b>762</b>
Employees with a disability	0	0	0	0	0

## Human Resource Management

*Table 3.3 Employees whose salary level exceed the grade determined by job evaluation, 1 April 2009 to 31 March 2010*

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	0	0	0	
Total number of employees whose salaries exceeded the level determined by job evaluation in 2009/10				
Percentage of total employment				

*Table 3.4 Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2009 to 31 March 2010 (in terms of PSLR 1.2.C.3)*

Beneficiaries	African	Asian	Coloured	White	Total
Female*	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Employees with a disability

Total number of employees whose salaries exceeded the grades determined by job evaluation in 2009/10 **Nil**

## 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 2009 to 31 March 2010*

Salary band	Number of employees per band as on 1 April 2009	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate%
Lower skilled (Levels 1 - 2)	0	0	0	0
Skilled (Levels 3 - 5)	3 221	356	62	1.9
Highly skilled production (Levels 6 - 8)	2 300	139	92	4.0
Highly skilled supervision (Levels 9 - 12)	662	61	36	5.4
Senior Management Service Band A	46	6	1	2.2
Senior Management Service Band B	20	1	2	10.0
Senior Management Service Band C	6	0	0	0
Senior Management Service Band D	0	1	0	0
<b>Total</b>	<b>6 255</b>	<b>564</b>	<b>193</b>	<b>3.1</b>

## Human Resource Management

*Table 4.2 Annual turnover rates by critical occupation for the period 1 April 2009 to 31 March 2010*

Occupation	Number of employees per occupation as on 1 April 2009	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate %
Administrative related	1 638	137*	28	1.7
Artisans	2	0	0	0
Cleaners	153	7	8	5.2
Client Service Officers	1 257	116*	1	0.1
Communication related	21	9	1	4.8
Employment Service Practitioners	194	45	6	3.1
Financial related	315	88	18	5.7
Food Services Aid	16	0	3	18.8
Head of Department	0	1	0	0
Housekeepers, laundry and related	9	0	1	11.1
Human resource related	380	88	18	4.7
Information technology	0	0	0	0
Inspectors	1 242	0	49	4.0
Legal related	5	7	1	20.0
Librarian and related	1	0	0	0
Drivers	18	8	0	0
Logistical support and related	537	39	8	1.5
Medical Practitioners	8	0	2	25.0
Messengers	67	0	3	4.5
Minister	1	0	0	0
National Technical Examiners	28	8	1	3.6
Production Advisors	1	0	0	0
Security related	168	0	32	19.1
Secretarial related	58	6	7	12.1
Senior management	72	0	5	6.9
Trade Labourers	64	5	1	1.6
<b>Total</b>	<b>6 255</b>	<b>564</b>	<b>193</b>	<b>3.1</b>

## Human Resource Management

**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
Death	16	8.3
Resignation	76	39.4
Dismissal – operational changes	0	0
Dismissal – misconduct	13	6.7
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	41	21.2
Transfers to other Public Service departments	47	24.4
Other	0	0
<b>Total</b>	<b>193</b>	<b>100</b>
<b>Total number of employees who left as a % of the total employment</b>	<b>7 912</b>	<b>2.44</b>

*Table 4.4 Granting of employee-initiated severance packages for the period 1 April 2009 to 31 March 2010*

Category	Number of applications brought forward	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by the MPSA	Number of packages approved by Department
Lower skilled (Salary Level 1 – 2)	0	0	0	0	0
Skilled (Salary Level 3 – 5)	2	1	3	2	2
Highly skilled production (Salary Level 6 – 8)	15	4	19	10	10
Highly skilled production (Salary Level 9 – 12)	4	2	6	4	4
Senior management (Salary Level 13 and higher)	1	0	1	1	1

## Human Resource Management

*Table 4.5 Promotions by critical occupation.*

Occupation	Employees as at 1 April 2009	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	1 638	107	6.5	1 348	82.3
Artisans	2	0	0	2	100.0
Cleaners	153	0	0	145	94.8
Client Service Officers	1 257	0	0	646	51.4
Communication related	21	3	14.3	14	66.7
Financial related	194	24	12.4	177	91.2
Employment Service Practitioners	315	18	5.7	135	42.9
Food Services Aid	16	0	0	10	62.5
Head of Department	0	0	0	0	0
Housekeepers, laundry and related	9	0	0	2	22.2
Human resource related	380	33	8.7	303	79.7
Information technology	0	0	0	0	0
Inspectors	1 242	43	3.5	683	55.0
Legal related	5	2	40.0	1	20.0
Librarian and related	1	1	100	0	0
Drivers	18	8	44.4	16	88.9
Logistical support and related	537	19	3.5	379	70.6
Medical Practitioners	8	1	12.5	0	0
Messengers	67	0	0	59	88.1
Minister	1	0	0	0	0
National Technical Examiners	28	0	0	24	85.7
Production Advisors	1	0	0	1	100
Security related	168	8	4.8	121	72.0
Secretarial related	58	10	17.2	45	77.6
Senior management	72	12	16.7	22	30.6
Trade Labourers	64	0	0	22	34.4
<b>Total</b>	<b>6 255</b>	<b>289</b>	<b>4.6</b>	<b>4 155</b>	<b>66.4</b>



## Human Resource Management

*Table 4.6 Promotions by salary band*

Salary band	Employees 1 April 2009	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1 - 2)	0	0	0	0	0
Skilled (Levels 3 - 5)	3 221	22	0.7	2 132	66.2
Highly skilled production (Levels 6 - 8)	2 300	198	8.6	1 542	67.9
Highly skilled supervision (Levels 9 - 12)	662	63	9.5	447	67.5
Senior management (Levels 13 - 16)	72	6	8.3	34	47.2
<b>Total</b>	<b>6 255</b>	<b>289</b>	<b>4.6</b>	<b>4 155</b>	<b>66.4</b>

### 5. Employment equity

The tables in this section are based on the formats prescribed by the Employment Equity Act, No. 55 of 1998.

*Table 5.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2010*

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	38	5	3	7	21	1	1	3	<b>79</b>
Professionals	76	8	7	14	70	2	3	21	<b>201</b>
Technicians and associate professionals	865	99	46	113	867	106	22	254	<b>2 372</b>
Clerks	1 302	161	38	66	1 638	258	67	295	<b>3 825</b>
Service and sales workers	0	0	0	0	0	0	0	0	<b>0</b>
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	<b>0</b>
Craft and related trades workers	0	0	0	0	0	0	0	0	<b>0</b>
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	<b>0</b>
Elementary occupations	160	12	2	7	140	17	1	3	<b>342</b>
<b>Total</b>	<b>2 441</b>	<b>285</b>	<b>96</b>	<b>207</b>	<b>2 736</b>	<b>384</b>	<b>94</b>	<b>576</b>	<b>6 819</b>
Non-permanent employees	172	3	1	1	241	7	2	3	<b>430</b>
<b>Grand total</b>	<b>2 613</b>	<b>288</b>	<b>97</b>	<b>208</b>	<b>2 977</b>	<b>391</b>	<b>96</b>	<b>579</b>	<b>7 249</b>
<b>Employees with disabilities</b>	<b>66</b>	<b>7</b>	<b>6</b>	<b>18</b>	<b>49</b>	<b>6</b>	<b>4</b>	<b>23</b>	<b>179</b>

## Human Resource Management

*Table 5.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2010*

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	5	1	0	0	1	0	0	0	7
Senior management	33	4	3	7	20	1	1	3	72
Professionally qualified and experienced specialists and mid-management	298	28	22	55	274	26	7	64	774
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	643	79	31	72	662	82	18	212	1 799
Semi-skilled and discretionary decision making	1 462	173	40	73	1 779	275	68	297	4 167
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2 441</b>	<b>285</b>	<b>96</b>	<b>207</b>	<b>2 736</b>	<b>384</b>	<b>94</b>	<b>576</b>	<b>6 819</b>

*Table 5.3 Recruitment for the period 1 April 2009 to 31 March 2010*

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1	0	0	0	0	0	0	0	1
Senior management	4	0	0	0	3	0	0	0	7
Professionally qualified and experienced specialists and mid-management	30	0	0	2	27	0	1	1	61
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	36	2	0	1	44	2	0	2	87
Semi-skilled and discretionary decision making	191	16	4	5	151	9	2	5	391
Unskilled and defined decision making	9	3	0	0	11	0	0	2	25
<b>Total</b>	<b>271</b>	<b>21</b>	<b>4</b>	<b>8</b>	<b>236</b>	<b>11</b>	<b>3</b>	<b>10</b>	<b>564</b>
<b>Employees with disabilities</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

## Human Resource Management

Table 5.4 Promotions for the period 1 April 2009 to 31 March 2010

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	3	0	0	1	2	0	0	0	6
Professionally qualified and experienced specialists and mid-management	31	0	0	1	26	3	2	0	63
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	68	3	1	0	76	5	3	12	168
Semi-skilled and discretionary decision making	22	0	0	0	29	1	0	0	52
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>124</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>133</b>	<b>9</b>	<b>5</b>	<b>12</b>	<b>289</b>
<b>Employees with disabilities</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

Table 5.5 Terminations for the period 1 April 2009 to 31 March 2010

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	1	0	0	1	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	16	2	0	5	8	1	1	4	37
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	18	4	0	2	11	5	1	13	54
Semi-skilled and discretionary decision making	32	9	0	4	19	4	1	20	89
Unskilled and defined decision making	6	0	0	0	4	1	0	0	11
<b>Total</b>	<b>73</b>	<b>15</b>	<b>0</b>	<b>12</b>	<b>42</b>	<b>11</b>	<b>3</b>	<b>37</b>	<b>193</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 5.6 Disciplinary action for the period 1 April 2009 to 31 March 2010

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	31	7	2	2	16	2	0	3	63

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*Table 5.7 Skills development for the period 1 April 2009 to 31 March 2010*

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	5	1	1	1	3	0	0	2	<b>13</b>
Professionals	275	19	11	34	222	20	3	52	<b>636</b>
Technicians and associate professionals	0	0	0	0	0	0	0	0	<b>0</b>
Clerks	1 664	153	51	117	2 161	291	43	401	<b>4 881</b>
Service and sales workers	0	0	0	0	0	0	0	0	<b>0</b>
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	<b>0</b>
Craft and related trades workers	0	0	0	0	0	0	0	0	<b>0</b>
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	<b>0</b>
Elementary occupations	158	6	1	2	153	7	1	2	<b>330</b>
<b>Total</b>	<b>2 102</b>	<b>179</b>	<b>64</b>	<b>154</b>	<b>2 539</b>	<b>318</b>	<b>47</b>	<b>457</b>	<b>5 860</b>
<b>Employees with disabilities</b>	<b>53</b>	<b>3</b>	<b>2</b>	<b>11</b>	<b>41</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>115</b>

For skills development purposes the Organising Framework of Occupations (OFO) is used.

## 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, 1 April 2009 to 31 March 2010 for the performance cycle 2008/09*

	Beneficiary profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>					
Male	496	2 398	20.7	4 464	9 000
Female	715	2 821	25.4	6 149	8 600
<b>Asian</b>					
Male	36	87	41.4	506	14 055
Female	50	87	57.5	526	10 520
<b>Coloured</b>					
Male	84	270	31.1	754	8 977
Female	169	376	45.0	1 495	8 846
<b>White</b>					
Male	61	160	38.1	954	15 639
Female	327	529	61.8	3 973	12 150
<b>Employees with a disability</b>	<b>54</b>	<b>174</b>	<b>31.0</b>	<b>555</b>	<b>10 278</b>
<b>Total</b>	<b>1 992</b>	<b>6 902</b>	<b>28.9</b>	<b>19 376</b>	<b>97 269</b>

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*Table 6.2 Performance rewards by salary bands for personnel below senior management service, 1 April 2008 to 31 March 2009 for the performance cycle 2008/09*

Salary bands	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1 - 2)	0	0	0	0	0
Skilled (Levels 3 - 5)	738	2 640	28	4 506	1 706
Highly skilled production (Levels 6 - 8)	1 028	3 072	33.5	9 997	3 254
Highly skilled supervision (Levels 9 - 12)	218	686	31.8	4 599	6 704
Periodical remuneration	0	60	0	0	0
<b>Total</b>	<b>1 984</b>	<b>6 458</b>	<b>30.7</b>	<b>19 102</b>	<b>2 957</b>

*Table 6.3 Performance rewards by critical occupations, 1 April 2009 to 31 March 2010 for the performance cycle 2008/09*

Critical occupations	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total cost	Average cost per employee
Administrative related	1 002	3 512	28.5	10 339	10 318
Artisans	0	1	0	0	0
Cleaners	59	144	41.0	263	4 458
Client Service Officers	0	8	0	0	0
Communication related	11	30	36.7	162	14 727
Employment Service Practitioners	28	230	12.2	336	12 000
Financial related	198	441	44.9	2 163	10 924
Food Services Aid	2	5	40.0	13	6 500
Housekeepers, laundry and related	0	0	0	0	0
Human resource related	140	469	29.9	1 443	10 307
Information technology	0	0	0	0	0
Inspectors	276	1 170	23.6	2 226	8 065
Legal related	3	10	30.0	67	22 333
Librarian and related	0	1	0	0	0
Drivers	7	26	26.9	45	6 429
Logistical support and related	170	512	33.2	1 366	8 035
Medical Practitioners	2	9	22.2	33	16 500
Messengers	25	67	37.3	116	4 640
National Technical Examiners	0	0	0	0	0
Production Advisors	1	1	100	10	10 000
Security related	25	137	18.3	192	7 680
Secretarial related	38	81	46.9	423	11 132
Senior management	5	57	8.8	199	39 800
Trade Labourers	1	1	100	3	3 000
<b>Total</b>	<b>1 992</b>	<b>6 905</b>	<b>28.9</b>	<b>19 374</b>	<b>9 726</b>

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*Table 6.4 Performance related rewards (cash bonus), by salary band, for senior management service for the performance cycle 2008/09*

Salary band	Beneficiary profile			Total cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	1	55	1.8	67	6 700	0.2
Band B	1	19	5.3	58	5 800	0.3
Band C	0	0	0	0	0	0
Band D	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>74</b>	<b>2.7</b>	<b>125</b>	<b>6 250</b>	<b>0.2</b>

### 7. Foreign workers

The tables below summarise the employment of foreign nationals in the Department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

*Table 7.1 Foreign workers, 1 April 2009 to 31 March 2010, by salary band*

Salary band	1 April 2009		31 March 2010		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	0	0	0	0
Highly skilled production (Levels 6 - 8)	1	100	1	100	0	0
Highly skilled supervision (Levels 9 - 12)	0	0	0	0	0	0
Senior management (Levels 13 - 16)	0	0	0	0	0	0
Periodical remuneration	0	0	0	0	0	0
Abnormal appointment	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>

*Table 7.2 Foreign workers, 1 April 2009 to 31 March 2010, by major occupation.*

Major occupation	1 April 2009		31 March 2010		Change in employment	
	Number	% of total	Number	% of total	Number	% change
Administrative office workers	1	100	1	100	0	0
Elementary occupations	0	0	0	0	0	0
Professionals and managers	0	0	0	0	0	0
Rank: committee member	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>

### 8. Leave utilisation (1 January 2009 to 31 December 2009)

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.

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*Table 8.1 Sick leave, 1 January 2009 to 31 December 2009*

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)	0	0	0	0	0	0
Skilled (Levels 3 - 5)	16 903.5	76.8	2 133	40.4	8	4 973
Highly skilled production (Levels 6 - 8)	18 327	76.1	2 505	47.4	7	8 386
Highly skilled supervision (Levels 9 - 12)	4 020	76.6	592	11.2	7	4 151
Senior management (Levels 13 - 16)	361	85.9	52	1.0	7	957
<b>Total</b>	<b>39 611.5</b>	<b>76.6</b>	<b>5 282</b>	<b>100</b>	<b>8</b>	<b>18 467</b>

*Table 8.2 Disability leave (temporary and permanent), 1 January 2009 to 31 December 2009*

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)
Skilled (Levels 3 - 5)	2 036	100	97	45.8	21	598
Highly skilled production (Levels 6 - 8)	2 844	99.9	104	49.1	27	1 332
Highly skilled supervision (Levels 9 - 12)	221	100	9	4.3	25	194
Senior management (Levels 13 - 16)	20	100	2	0.9	10	50
<b>Total</b>	<b>3 897</b>	<b>99.9</b>	<b>212</b>	<b>100</b>	<b>18</b>	<b>2 174</b>

**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 2009 to 31 December 2009*

Salary bands	Total days taken	Average days per employee	Number of employees who took leave
Lower skilled (Levels 1 - 2)	0	0	0
Skilled (Levels 3 - 5)	54 700.6	21	2 592
Highly skilled production (Levels 6 - 8)	69 883.71	23	3 098
Highly skilled supervision (Levels 9 - 12)	17 340	22	788
Senior management (Levels 13 - 16)	1 488	19	79
<b>Total</b>	<b>143 412.31</b>	<b>22</b>	<b>6 557</b>

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*Table 8.4 Capped leave, 1 January 2009 to 31 December 2009*

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2008
Skilled (Levels 3 - 5)	223	3	25
Highly skilled production (Levels 6 - 8)	854	5	38
Highly skilled supervision (Levels 9 - 12)	186	5	45
Senior management (Levels 13 - 16)	8	3	43
<b>Total</b>	<b>1 349</b>	<b>5</b>	<b>36</b>

*Table 8.5 Leave payouts for the period 1 April 2009 to 31 March 2010*

Reason	Total amount (R'000)	Number of employees	Average payment per employee
Leave payout for 2009/10 due to non-utilisation of leave for the previous cycle	61	2	30 500
Capped leave payouts on termination of service for 2009/10	1 834	285	6 435
Current leave payout on termination of service for 2009/10	558	165	3 382
<b>Total</b>	<b>2 453</b>	<b>452</b>	<b>5 427</b>

## 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 high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
Yes	<p>By developing HIV and AIDS Technical Guidelines which is meant mainly for external clients. There is also a call by the DPSA to have the HIV and AIDS Technical Guidelines updated.</p> <p>Work still needs to be done though for the internal clients. Provincial offices do attend the Provincial Departmental Committee meetings.</p>

*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.	X		Mr Risimati F Chauke



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Question	Yes	No	Details, if yes
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.	X		The Assistant Managers who coordinate and manage the programme nationally. That is inclusive of all provinces, the two Funds and INDLELA. (R 1.5 million)
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.	X		Creating awareness by writing articles on health and wellness issues. Holding wellness days. Commemorating health and wellness events. Managing HIV and AIDS through VCT programmes. Have a peer educators' programme, nationally.
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.	X		<p>National Employment Equity Consultative Forum which consists of the representatives from all the provincial offices of the Department.</p> <p>Acting SEM: HRM                      Mr RF Chauke EM HRM                                      Mr BH Gama</p> <p><b>Designated groups:</b></p> <p>People with disabilities              Ms LS Nawana Women                                        Ms KM Padi</p> <p><b>Non-designated group:</b></p> <p>White                                         Mr N Du Preez</p> <p><b>Representatives from the Chief Directorates:</b></p> <p>Finance                                      Ms BM Ramono Communication                          Mr GGR Khaile Employment Equity                      Mr ME Lefika</p> <p><b>Representatives from the Directorates:</b></p> <p>SCM&amp;OA                                    Mr VM Pienaar T&amp;D    Ms D Chiloane EHWP                                         Ms LJ Noxeke GDY    Ms L Rudah</p> <p><b>Chairperson/Delegate of each LEECF:</b></p> <p>Head Office                                Mr M Sihathu Eastern Cape                                Mr K Varughese Free State                                    Mr N Ntshiba Gauteng North                              Mr E Maboa Gauteng South                              Ms NA Mgqibi KwaZulu-Natal                              Mr S Singila Limpopo                                        Mr GM Mabunda Mpumalanga                                Ms GK Malatsi Northern Cape                              Ms EL Sekgweleo North West                                 Ms AD Michael Western Cape                                Ms N Bassie CF    Ms TA Molloy UIF    Mr PTK Gaza INDLELA                                      Mr BA Motshepe</p> <p><b>Representatives of Unions:</b></p> <p>NEHAWU/PAWUSA                      Mr TJ Mashaba PSA     Mr A Dlamini POPCRU/SASAWU                        Mr K Mvulo</p> <p><b>Secretariat:</b></p> <p>Ms BB Motlhaoleng Ms IS Groenewald Ms G Maritz Ms VY Mokoena</p>

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Question	Yes	No	Details, if yes
5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		Under review are the following policies: • EAP policy • HIV and AIDS policy • OHS policy • The DPSA has now mandated all government Departments to have policies on all 4 Pillars of the EHWP Programme: HIV and AIDS, STI and TB management, Health and Productivity Management, SHERQ Management, as well as Wellness Management with effect from 1 April 2009.
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.	X		Through awareness programmes. The HR Policies of the Department as well as the Public Service Acts and Regulations.
7. Does the Department encourage its employees to undergo voluntary counseling and testing? If so, list the results that you have you achieved.	X		The Department utilises Positive Life as a service provider for Voluntary Counseling and Testing. According to this service provider, the response is good.
8. Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		Monitoring is done in the National Employment Equity Consultative Forum. Monitoring is also done through weekly and quarterly reports.

### 10. Labour relations

The following collective agreements were entered into with trade unions within the Department.

*Table 10.1 Collective agreements, 1 April 2009 to 31 March 2010*

Subject matter	Date
Nil	

The following table summarises the outcome of disciplinary hearings conducted within the Department for the year under review.

*Table 10.2 Misconduct and disciplinary hearings finalised, 1 April 2009 to 31 March 2010*

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	3	3.3
Verbal warning	0	0
Written warning	13	14.3
Final written warning	34	37.4
Suspended without pay	12	13.2
Fine	0	0
Demotion	2	2.2
Dismissal	12	13.2
Not guilty	2	2.2
Case withdrawn	2	2.2
Other (i.e. referring back, progressive discipline)	11	12.1
<b>Total</b>	<b>91</b>	<b>100</b>

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*Table 10.3 Types of misconduct addressed at disciplinary hearings*

Type of misconduct	Number	% of total
Absenteeism	11	17.5
Abuse of power	0	0
Alcohol abuse	5	7.9
Assault	1	1.6
Bribery	2	3.2
Dereliction of duty	1	1.6
E-mail abuse	3	4.8
Failure to declare IES monies	0	0
Fraud	23	36.5
Fruitless expenditure	0	0
Insubordination	5	7.9
Misrepresentation	7	11.1
Negligence	1	1.6
Sexual harassment	0	0
State vehicle misuse	4	6.4
<b>Total</b>	<b>63</b>	<b>100</b>

*Table 10.4 Grievances lodged for the period 1 April 2009 to 31 March 2010*

	Number	% of total
Number of grievances resolved	32	57.1
Number of grievances not resolved	24	42.9
<b>Total number of grievances lodged</b>	<b>56</b>	<b>100</b>

*Table 10.5 Disputes lodged with councils for the period 1 April 2009 to 31 March 2010*

	Number	% of total
Number of disputes upheld	3	4.7
Number of disputes dismissed	12	18.8
Pending	49	76.6
<b>Total number of disputes lodged</b>	<b>64</b>	<b>100</b>

*Table 10.6 Strike actions for the period 1 April 2009 to 31 March 2010*

Total number of working days lost	0
Total cost (R'000) of working days lost	0
Amount (R'000) recovered as a result of no work no pay	0

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*Table 10.7 Precautionary suspensions for the period 1 April 2009 to 31 March 2010*

Number of people suspended	18
Number of people whose suspension exceeded 30 days	11
Average number of days suspended	60
Cost (R'000) of suspensions	R 676 900

### 11. Skills development

This section highlights the efforts of the Department with regard to skills development.

*Table 11.1 Training needs identified 1 April 2009 to 31 March 2010*

Occupational categories	Gender	Number of employees as at 1 April 2009	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	22	0	0	22	0	<b>22</b>
	Male	50	0	0	50	0	<b>50</b>
Professionals	Female	314	0	0	249	0	<b>249</b>
	Male	363	0	0	311	0	<b>311</b>
Technicians and associate professionals	Female	0	0	0	0	0	<b>0</b>
	Male	0	0	0	0	0	<b>0</b>
Clerks	Female	2 967	0	0	2 403	0	<b>2 403</b>
	Male	2 096	0	0	1 736	0	<b>1 736</b>
Service and sales workers	Female	0	0	0	0	0	<b>0</b>
	Male	0	0	0	0	0	<b>0</b>
Skilled agriculture and fishery workers	Female	0	0	0	0	0	<b>0</b>
	Male	0	0	0	0	0	<b>0</b>
Craft and related trades workers	Female	0	0	0	0	0	<b>0</b>
	Male	0	0	0	0	0	<b>0</b>
Plant and machine operators and assemblers	Female	0	0	0	0	0	<b>0</b>
	Male	0	0	0	0	0	<b>0</b>
Elementary occupations	Female	214	0	0	167	0	<b>167</b>
	Male	239	0	0	190	0	<b>190</b>
Subtotal	Female	3 542	0	0	2 841	0	<b>2 841</b>
	Male	2 713	0	0	2 287	0	<b>2 287</b>
<b>Total</b>		<b>6 255</b>	<b>0</b>	<b>0</b>	<b>5 128</b>	<b>0</b>	<b>5 128</b>

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Table 11.2 Training provided 1 April 2009 to 31 March 2010

Occupational categories	Gender	Number of employees as at 1 April 2009	Training needs identified at start of reporting period				Total
			Learnerships	Learnerships	Skills programmes and other short courses	Other forms of training	
Legislators, senior officials and managers	Female	22	0	0	5	0	5
	Male	50	0	0	8	0	8
Professionals	Female	314	0	0	297	0	297
	Male	363	0	0	339	0	339
Technicians and associate professionals	Female		0	0	0	0	0
	Male		0	0	0	0	0
Clerks	Female	2 967	0	0	2 896	0	2 896
	Male	2 096	0	0	1 985	0	1 985
Service and sales workers	Female		0	0	0	0	0
	Male		0	0	0	0	0
Skilled agriculture and fishery workers	Female		0	0	0	0	0
	Male		0	0	0	0	0
Craft and related trades workers	Female		0	0	0	0	0
	Male		0	0	0	0	0
Plant and machine operators and assemblers	Female		0	0	0	0	0
	Male		0	0	0	0	0
Elementary occupations	Female	214	0	0	163	0	163
	Male	239	0	0	167	0	167
Sub Total	Female	3 542	0	0	3 361		3 361
	Male	2 713	0	0	2 449		2 449
<b>Total</b>		<b>6 255</b>	<b>0</b>	<b>0</b>	<b>5 860</b>	<b>0</b>	<b>5 860</b>

## 12. Injury on duty

The following tables provide basic information on injury on duty.

Table 12.1 Injury on duty, 1 April 2009 to 31 March 2010

Nature of injury on duty	Number	% of total
Required basic medical attention only	34	87.2
Temporary total disablement	5	12.8
Permanent disablement	0	0
Fatal	0	0
<b>Total</b>	<b>39</b>	<b>100</b>

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### 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
Legal consulting on the phenomenon of labour broking	One company	36 days	R369 239.00
Department of Labour-QCTO-2009/10-ST (Foundation learning evaluation and assessment.)	One company	40 days	R208 156.00
Department of Labour -QCTO-2009/10-ST (Capacity building)	One company	40 days	R214 266.40
Exposure to silica dust by workers in South Africa	One company	5 days	R491 340.00
The management on ill-health and retirement in Departments	One company	48 days	R1 037 477.52
The closing of the Department of Labour's IT/IS Private-Public Partnership contract in the financial statements	One company	18 days	R208 515.12
Forensic audit on the Department of Labour's financial system	One company	12 Hours per HDD 6 hours per consultation	R117 841.80
Validation of the Change Management Note CMN0088-PPP Contract	One company	12 days	R272 519.28
Update and maintain the accrual take balance for the SAP implementation	One company	51 days	R1 176 459.00
Facilitation, analysis and evaluation of Public Entities financial reporting	One company	175 days	R936 000.00
Arbitration hearing	One company	7 days	R3 000 000.00
Update and maintain the accrual take balance for the SAP implementation	One company	28 days	R1 993 723.00
To conduct research to determine the impact of sectoral determination in addressing the plight of vulnerable workers	One company	125 days	R711 400.00
The investigation of conditions of employment and minimum wages in the unskilled labour sector.	One company	125 days	R1 449 612.00
Study in evaluating bargaining council pension and provident fund	One company	125 days	R681 720.00
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration:</b>	<b>Total contract value in Rand</b>
Work days	Total contract value in Rand		
15	15	± 835 days	R12 868 269.12

## Human Resource Management

*Table 13.2 Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDI)s*

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Legal consulting on the phenomenon of labour broking	44%	44%	Not available
Department of Labour -QCTO-2009/10-ST (Foundation learning evaluation and assessment.)	100%	100%	Not available
Department of Labour -QCTO-2009/10-ST (Capacity building)	100%	100%	Not available
Exposure to silica dust by workers in South Africa	0%	0%	Not available
Update and maintain the accrual take balance for the SAP implementation	15%	15%	Not available
Arbitration hearing	100%	100%	Not available
Facilitation, analysis and evaluation of Public Entities financial reporting	0%	0%	Not available
Verification of procurement information provided by Siemens	0%	0%	Not available
Forensic audit on the Department of Labour's financial system	0%	0%	Not available
The management on ill- health and retirement in the Department			Not available
To conduct research to determine the impact of sectoral determination in addressing the plight of vulnerable workers	0%	0%	Not available
The Investigation of conditions of employment and minimum wages in the unskilled labour sector.	100%	50%	Not available
Study in evaluating bargaining council pension and provident fund	26.29%	0.29%	Not available

*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
None	N/A	N/A	N/A
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: work days</b>	<b>Total contract value in Rand</b>
None	N/A	N/A	N/A

*Table 13.4 Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDI)s*

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
None	N/A	N/A	N/A