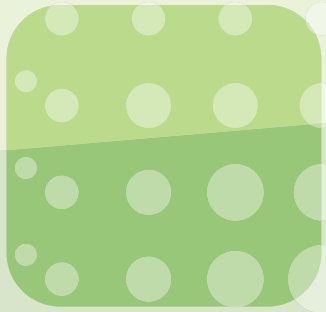




Annual Report of the  
***Department of Labour***

1 April 2007 to 31 March 2008





**labour**

Department:  
Labour  
**REPUBLIC OF SOUTH AFRICA**

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# *Annual Report*

*1 April 2007 to 31 March 2008*

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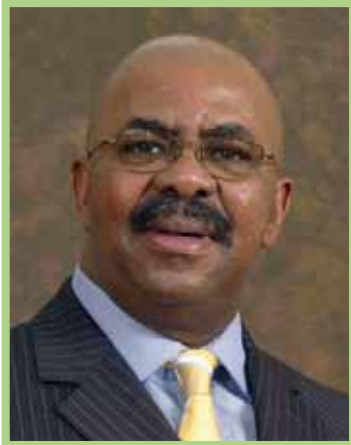
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Laboria House  
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15 August 2008



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

It is my privilege and honour to submit to you the  
**Annual Report of the Department of Labour**  
for the period 1 April 2007 to 31 March 2008,  
in terms of the Public Finance Management Act, 1999.



**L Kettleidas**  
Acting Director-General  
of Labour

# Organisational Structure

## Top Leadership



**Minister of Labour**

M M S Mdladlana, MP

**Statutory Bodies**

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



**Acting Director-General**

L Kettledas



**Unemployment Insurance Fund  
(Commissioner)**

Deputy Director-General  
B Seruwe



**Employment and  
Skills Development Services and  
Human Resource Development**

Deputy Director-General  
S Morotoba



**Service Delivery**

Deputy Director-General  
S Zondeki

**Labour Policy and Labour Market  
Programmes**

Acting Deputy Director-General  
S Zondeki



**Corporate Services**

Deputy Director-General  
B Maduna



**Compensation Fund  
(Commissioner)**

Deputy Director-General  
S Mkhonto

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## Section 1

### General Information

#### Introduction by L Kettleidas, Acting Director-General of Labour

The Department of Labour is pleased to present its Annual Report in terms of the Public Finance Management Act for the 2007/08 financial year. This report is shaped by the Ministerial Programme of Action for the period 2004 to 2009. Key amongst the issues shaping our focus as the Department, as highlighted in the Ministerial Programme of Action, is the need to enhance our contribution to ensure that our country's economy grows, jobs are created, and ultimately – poverty is eradicated. It is in this context that our vision remains relevant – which seeks to ensure that “The Department will strive for a labour market which is conducive to economic growth, investment and employment creation and which is characterised by rising skills, equity, sound labour relations, respect for employment standards and worker rights”.

In pursuance of these noble goals, we have, set ourselves the objective of increasingly containing the bureaucracy that comes with the functioning of government, and put in place an innovative project management approach to enhance service delivery. In line with this, for the 2007/08 financial year the Department identified 14 projects for implementation as part of the workplan to realise the prioritised departmental objectives.



*Minister Membathisi Mdladlana at the official launch of the PPC Academy. With him, is the CEO of PPC, John Gommersal and the CEO of the Mining Qualification Authority, Livhuwani Nengovhela.*

The benefits that have been derived from this approach was better planning, strengthened monitoring and evaluation, as well as an improved ability to measure departmental performance in relation to the Integrated Workplan. This is fundamental to the results-orientated organisation that the Department seeks to entrench. Project leaders are selected according to their abilities, and not necessarily according to their ranks. In the fullness of time, this we believe will help the Department identify talent and unlock the potential of its staff beyond bureaucratic ranks.

## 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)
- Productivity South Africa
- Sector Education and Training Authorities (SETAs)
- Umsobomvu Youth Fund (UYF)
- Unemployment Insurance Board.

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

None were submitted.

#### 2.3 Ministerial visits abroad

Description	Date	Purpose of visit
Bilateral visit to China	1 - 7 April 2007	Follow-up visit after the signing of the extended Memorandum of Understanding (MOU) signed in October 2006.
International Labour Conference, Geneva	28 May - 15 June 2007	To attend the International Labour Conference.
ILO Governing Body, Geneva	1 - 17 November 2007	Attend the ILO Governing Body Meeting.
ARLAC Governing Council, Zimbabwe	25 - 29 February 2008	Attend ARLAC Governing Council Meeting
ILO Governing Body, Geneva	6 - 20 March 2008	Attend the ILO Governing Body Meeting.
SADC Meeting, Lesotho	31 March - 4 April 2008	To attend the SADC Employment and Labour Sector Meeting.



## General Information

### 3 Mission Statement

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

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

### 4 Legislative Mandate

The Department of Labour relates to the following 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

## General Information

and safety

- concluding agreements for the performance of a particular act or particular work or for the rendering of a particular service.

### 4.2 Commission for Conciliation, Mediation and Arbitration

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

The Commission's functions are to:

- attempt to resolve disputes through conciliation and arbitration
- assist in the establishment of workplace forums
- compile and publish information and statistics about its activities
- advise a party to a dispute about the procedure to follow in terms of this Act
- assist a party to a dispute to obtain legal advice, assistance or representation
- offer to resolve a dispute that has not been referred to the Commission through conciliation
- conduct, oversee or scrutinise any election or ballot of a registered trade union or registered employers' organisation if asked to do so
- publish guidelines in relation to any matter dealt with in this Act
- conduct and publish research into matters relevant to its functions
- provide, upon request, workers, employers, registered trade unions, registered employers' organisations or councils with advice or training relating to the primary objectives of the LRA
- perform any other duties imposed, and exercise any other powers conferred on it in terms of the LRA and perform any other function entrusted to it by any other law.

### 4.3 Commission for Employment Equity

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

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

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

## General Information

the performance of any other prescribed function.

### 4.4 Compensation Board

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

Its functions include advising the Minister on:

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

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

### 4.5 Employment Conditions Commission

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

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

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

### General Information

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 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 (SETAs)

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

## General Information

### 4.10 Umsobomvu Youth Fund (UYF)

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
  - 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

#### Voted Funds

Appropriation	Main appropriation	Adjusted appropriation	Actual amount spent	Over/Under expenditure
	R'000	R'000	R'000	R'000
Programme 1	360 653	360 008	328 384	31 624
Programme 2	655 409	665 409	656 753	8 656
Programme 3	585 039	575 039	540 119	34 920
Programme 4	421 763	427 408	417 467	9 941
Programme 5	10 001	10 001	5 898	4 103
<b>Total</b>	<b>2 032 865</b>	<b>2 037 865</b>	<b>1 948 621</b>	<b>89 244</b>
Responsible Minister	Minister of Labour: MMS Mdladlana, MP			
Administering Department	Department of Labour			
Accounting Officer	Acting Director-General of Labour: L Kettleidas			

#### Revenue

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual	% deviation from target
	R'000	R'000	R'000	R'000	R'000	%
<b>Tax revenue</b>	-	-	-	-	-	-
(Specify)						
<b>Non-tax revenue</b>	3 079	2 866	4 443	3 350	5 733	71.13
(Specify)						
<b>Sales of capital assets (Capital revenue)</b>	232	42	-	-	-	-
(Specify)						
<b>Financial transactions (Recovery of loans and advances)</b>	1 154	1 451	1 640	1 334	2 715	103.52
<b>Total departmental receipts</b>	<b>4 749</b>	<b>4 465</b>	<b>6 083</b>	<b>4 684</b>	<b>8 448</b>	<b>80.36</b>

#### Expenditure

Programme	Voted for 2008/07	Roll-overs and adjustments	Virement	Total voted	Actual expenditure	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	365 653	-	(5 645)	360 008	328 384	31 624
Programme 2	665 409	-	-	665 409	656 753	8 656
Programme 3	575 039	-	-	575 039	540 119	34 920
Programme 4	421 763	-	5 645	427 408	417 467	9 941
Programme 5	10 001	-	-	10 001	5 898	4 103
<b>Total</b>	<b>2 037 865</b>	<b>-</b>	<b>-</b>	<b>2 037 865</b>	<b>1 948 621</b>	<b>89 244</b>

## Programme Performance

### Transfer Payments (R'000)

Name of institution	Amount transferred	Estimate expenditure
Compensation Fund	5 898	10 000
Unemployment Insurance Fund	-	1
Commission for Conciliation, Mediation and Arbitration	270 646	270 646
Productivity South Africa	26 637	26 637
National Skills Fund	44 799	44 799
Strength Civil Soc Lab Reb Trans (Development Institute for Training, Support and Education for Labour (DITSELA))	9 919	9 919
National Economic Development and Labour Council (NEDLAC)	13 348	13 348
Umsobomvu Youth Fund	400 000	400 000
<b>Statutory</b>		
Sector Education and Training Authorities	5 027 445	5 027 445
National Skills Fund	1 256 861	1 256 861
International Labour Organisation	6 837	7 000
ARLAC	440	480
World Assoc. of Public Employment Services (WAPES)	139	140
SA National Council for the Blind	232	237
Deaf Federation of South Africa	97	155
National Council for the Physical Disabled	182	191
Subsidised workshops for the blind	7 042	7 042
Subsidised work centres for people with disabilities	38 808	38 808
Resignation packages to Households	3 335	3 345
<b>Total</b>	<b>7 112 665</b>	<b>7 117 054</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 worker rights and benefits.

### 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



## Programme Performance

- 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 Resources Development**
- Purpose:** Achieve the strategic objectives and equity targets of the National Skills Development Strategy and contribute to the achievement of the strategic objectives of the National Human Resource 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, NSF funded projects, Umsombomvu Youth Fund and the National Productivity Institute.
- 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 (CF), 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's financial assistance to the Funds, for efficiency and financial sustainability.

### Strategic overview: 2003/04 – 2009/10

The Department of Labour has developed a programme of action to address key government priorities in the second decade of democracy. The focus will be on: encouraging growth and development in the first economy and increasing the ability of the economy to create employment; addressing the needs of vulnerable and poor people in the second economy; promoting social security in an effort to contribute to poverty alleviation; and addressing racial and gender inequality.

#### Key policy developments and legislative changes

##### *Decentralising functions and delegating authority*

Having provided the policy and legislative environment for the protection of the rights of workers and

### Programme Performance

which guarantees fairness for all players in the labour market, the Department will focus on speeding up the implementation of policy and improving the delivery of services to clients. The integrated business strategy reflects the strategic decision to decentralise functions and authority to staff at the Department's service delivery points. This will help the Department to deliver on its mandate, allocating and using all its resources optimally for better and smarter ways of delivering services to all its clients. Through this strategy, the Department will be repositioned to focus on its core business and improve the integrated value chain.

#### *Labour market legislation and policies*

The Department of Labour formulates labour market legislation and policies that contribute to creating employment in a way that protects workers' rights. Legislation and policies are aimed at developing good labour market practices, promoting healthy and safe working environments, eliminating discrimination and increasing compliance with labour legislation. South Africa's acceptance and participation in the global arena is facilitated through compliance with international labour standards, improving working conditions and promoting productivity.

#### *Skills development*

The Skills Development Act (1998) and the Skills Development Levies Act (1999) were developed to promote employment by addressing the skills shortage through the 2001 National Skills Development Strategy. The second phase of the strategy (2005-2010) seeks to support economic growth for employment creation and poverty eradication and promote productive and equitable citizenship by aligning skills development with national strategies for growth and development and accelerating Broad Based Black Economic Empowerment (BBEE). The National Skills Development Strategy is critical to realising government's goal of halving unemployment by 2014. Promoting employment equity will assist in transforming South Africa into a non-racial and non-sexist society. Better alignment between the further education and training sector, business and the Sector Education and Training Authorities (SETAs) has resulted in a more demand-driven strategy. The strategy is also aligned to and supports the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) and has been integrated into the work of the Joint Initiative on Priority Skills Acquisition (JIPSA).

#### *Restructuring the Compensation Fund - phase 2*

A turnaround strategy was developed in 2006/07 to strengthen social protection and improve the Compensation Fund's efficiency. Implementing the strategy will entail reviewing current operations and systems and decentralising claims processing functions to provincial offices and labour centres, as well as improving the rate and quality of employer assessments and revenue collection. It will also involve fast-tracking the setting up of provincial medical advisory panels in all provinces.

#### *Integration of occupational health and safety competencies across government*

The process of integrating occupational health and safety (OHS) competencies will be fast-tracked in the coming years to make sure that enabling policy and legislation is promulgated. A single OHS authority will be set up to oversee implementation, and inspectors from the Department of Minerals and Energy and the Department of Health will be transferred to the Department of Labour.

### **Outcomes**

#### *Skills development*

Together with the Department of Education, the Department of Labour will review the National Qualifications Framework (NQF) to assess the availability and relevance of qualifications that support occupationally directed learning. The Department aims to collaborate more closely with provincial governments in implementing their provincial growth and development strategies, as these relate to skills development and employment creation. Strategic projects will be implemented over a three-year period in line with ASGI-SA priorities:

## Programme Performance

- skills in the engineering and construction sectors, focusing on artisan development for infrastructure projects
- skills for competitive and shared tourism and sport sector development, in particular for a sustainable tourism and sport industry leading up to and beyond the 2010 FIFA World Cup
- skills for work readiness programmes and job creation in business process outsourcing, in collaboration with direct foreign investment incentive programmes from the Department of Trade and Industry
- skills for emerging farmers and chemical workers to develop the fledgling bio-fuels industry.

The Department will also be expanding its Adult Basic Education and Training (ABET) programmes in all relevant sectors with a focus on literacy.

### *Support for skills development through the ILO decent work country programme*

In consultation with the International Labour Organisation (ILO) a broad framework for the ILO decent work country programme is being formulated. This includes strengthening support for existing skills development and employment services programmes in specific areas, and formulating new initiatives to deal with labour market challenges, especially in relation to employment creation and poverty alleviation.



*Ramperi Malatsoa, showing the Minister some of the projects his cooperative has established after the Department trained them.*

### *Employment creation*

The National Skills Development Strategy's learning programmes (skills programmes, learnerships, apprenticeships and internships) target unemployed youth, as 75% of the unemployed are between 15 and 34 years old. A special project with the Department of Education aims to meet the challenges of having 800 000 learners in ABET by March 2010. ABET aims to improve the basic skills of people beyond their school-going years and tackles long-term unemployment. The National Skills Development Strategy is closely aligned with the Expanded Public Works Programme, which targets the unemployed and people with low skills levels by providing them with work experience and improving their skills.

Setting up an employment services system is a priority for providing jobs and keeping workers in

## Programme Performance

sustainable employment. The Department of Labour is responsible for developing and implementing an integrated employment services system, which aims to proactively identify, respond to and influence supply and demand in the labour market through various policies and programmes and to facilitate fair transactions between suppliers and providers of labour. International best practice standards and ILO conventions on employment services have been applied in developing the system.

The Employment Services System includes an IT system to assist the Department to provide a public employment service by facilitating the registration of work-seekers and placement opportunities and providing job matching services for potential employers and work-seekers, and will be implemented across the Department of Labour's offices by April 2007. The system will help government to deal with unemployment, generate useful statistics, and support social security functions by integrating social insurance services. It will also support: the provision of registration, career guidance and counselling services; recruitment and selection services; skills development services; information services; and special services, which include services provided to special interest groups like people with disabilities, retrenched employees and ex-offenders. It will position labour centres to improve matching supply and demand in the local labour market and align provincial skills development plans and interventions with provincial growth and development strategies.

The Umsobomvu Youth Fund (UYF) implements targeted youth development programmes and mainstreams youth development to improve the possibilities for young people to have sustainable livelihoods. The Department will revisit the role and mandate of the UYF, with the aim of sustaining these ventures by aligning UYF programmes more closely with the Department's strategic objectives as well as developing a cohesive and integrated youth empowerment model.

### *Sound labour relations*

The Department of Labour has developed a research agenda that aims to monitor and evaluate the impact of its labour market interventions in the last decade. Critical research projects have been identified for the next 20 months, and a research partner appointed to support the process.

After the two ministerial roundtable discussions in May and June 2006, all social partners (government, organised labour, organised business and community) agreed that there would be no major changes to current labour market policy. A process, involving all social partners, to determine the impact of labour laws on job creation and small business development is currently under way, aiming at a common understanding of the issues which are delaying growth and at pinpointing the difficulties in implementing and enforcing labour laws.

## Programme Performance

### Programme 1: Administration

#### Communication

The Chief Directorate of Communication is responsible for creating awareness of all available services of the Department of Labour to empower our clients. Through empowering our clients with information on available benefits as well as obligations in terms of legislation, our clients can access the available channels and obtain the necessary information.

Our clients were kept informed of developments in the labour market through a large variety of publications on skills development, occupational health and safety, unemployment insurance, compensation for injuries on duty, etc. Many of the publications have been translated into our official languages and through an ongoing process all publications will be translated into the various languages and made available on the website.

The website of the Department received the following accolade from the United Nations E-Government Survey 2008:

*"The Website of the Department of Labour in particular, is an excellent example of a public agency Website that is well tailored to the needs of its stakeholders. The Website has a very attractive and simple design that allows users to quickly find what they are looking for. Add to this the various online fillings/registrations available and the posting of online vacancies, and you have a full-featured site that is a one-stop shop for labour issues."*

Samantha Perry  
IT Web Features Editor

The website grew in popularity with 2 512 645 hits in 2006/07 to 5 009 922 hits in 2007/08. Attention has been given to the present website over a period of several months and the new website should be launched soon with better features, easier navigation, quicker download of documents and saving our clients time and money.

Marketing and advertising campaigns were organised to address the Child Labour Programme of Action, Hospitality Sectoral Determination, National Women's Month Campaign, World Aids Day, International Day for People with Disabilities and the ongoing advertising of vacancies in the Department.

The services of the Department were illustrated at several exhibitions held in Cape Town, Durban, Johannesburg, East London, Idutywa, Kokstad, Boksburg, Pretoria, etc. The main exhibitions were the Pretoria Show, The Indaba Exhibition in Durban and the Rand Show in Johannesburg. These exhibitions offer the Department the opportunity to market its services and to provide information at venues nationwide on how to make use of all the available services.

Interaction on radio, television and in the numerous newspapers was once again a regular opportunity to keep our clients informed through media statements, articles and features. The placement of media statements and speeches of the Minister of Labour on the Department's website was also done on an ongoing basis.

#### Human Resources Management

The Department's 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. Three functional areas are covered in the programme, namely, management advisory services, human resource management and legal services. 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 provide a legal

## Annual Report

# Programme Performance

### Programme 1: Administration

advisory service to management and stakeholders in order to protect and further the interests of the Department in line with its strategies.

The Department's Human Resources Plan for 2006-2009 is in place and is currently being implemented.

In its quest to further empower SMS members with the necessary knowledge and skills the Department embarked on a drive to implement the Khaedu training and ensured that all SMS members are granted an opportunity to participate in all Khaedu programmes as per the SMS Handbook.

Management of employee performance in the Department for SMS Managers and employees at Salary Range level 12 and lower has significantly improved as mainly all SMS members complied with the obligation to complete and submit performance agreements and reviews. Employees at Salary Range level 12 and lower have always voluntarily and enthusiastically participated and complied with the requirements of our Performance Management Policy.

The Department is promoting Voluntary Counselling and Testing (VCT) to employees. VCT was started at Head Office and was provided free of charge by an NGO, Positive Life Project. The NGO is prepared to come and assess the employees whenever there is a need. The programme will be rolled to other provinces as well. Furthermore a total of 155 employees received counseling in the year 2007. The counseling was either telephonic, referral to an outside service provider or in-house. World Aids Day was commemorated on 7 December 2007.

The Department also continues to ensure that gender, disability and youth issues are mainstreamed into the Department's strategic plans.

Employment equity continues to be implemented as one of the Department's key strategic areas and as a result the progress with regards to the implementation of the departmental Employment Equity Plan is a standing agenda item for Top Management. Progress with the implementation of the Employment Equity Plan 2006 to 2009 is monitored on a monthly basis by the Local Employment Equity Forums (LEECF's) and on a quarterly basis at the National Employment Equity Consultative Forum (NEECF). Comparative EE representative profiles are updated on a monthly basis as a measure to monitor the achievement of the numerical goals.

With regards to Legal Services the following was achieved:

- 35 contracts were finalised
- 86 legal opinions were provided
- 85 motion applications were dealt with
- 249 debt collections were dealt with
- 11 investigations were conducted
- 18 successful settlement of cases
- 60 officials were trained on legal matters.

### Financial Management

Financial Management provided information and support in the finalisation and conclusion of audit information to the Department, the Sheltered Employment Factories and the National Skills Fund for the 2007/08 financial year. In collaboration with the Office of the Director-General, regular Audit Forums were held in order to monitor and report on all of the corrective actions taken to address matters raised by the Office of the Auditor-General. 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

## Programme Performance

### Programme 1: Administration

of the Accountant-General and 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 in ensuring the management and control over financial resources. Through the coordination of monthly reports, submitted to evaluating structures, the utilisation of financial resources was managed to within 4,4% of the Department's Vote.

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 payments of salaries and service benefits, salary deduction reconciliations and payments processes, BAS/PERSAL reconciliations and the management of departmental debt in line with the Department's debt management policy.



*Minister Membathisi Mdladlana at Ntsikayezwe Senior Secondary School where he donated computers.*

### Office Administration and Supply Chain Management

Office Administration successfully managed the lead out/in of the Imperial Fleet Services as well as the PPP Fleet Contract with Phavisworld. The Department is now fully utilising the services of the new service provider. Systems have now been put in place to ensure effective and efficient management of the contract. Road-shows were held nationally to familiarise departmental staff with contractual obligations regarding the PPP Fleet Contract before implementation.

Provincial Offices and Programmes were assisted and supported with the provision of land and air transport to enable them to render services.

Office Administration successfully implemented the acquisition of hotel accommodation through a travel agency to officials thereby contributing to the reduction of departmental debt by eliminating requests for advances to pay for accommodation.

This office facilitated the withdrawal of some under-utilised subsidised vehicles to give effect to the

# Programme Performance

## Programme 1: Administration

Auditor-General's recommendation.

Provincial offices, INDLELA and Sheltered Employment Factories were assisted and supported with their accommodation needs, repair and maintenance contracts.

Supply Chain Management and Commodity Policies have been circulated to users and made available on the Department's Intranet for easy reference. 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 provided procurement support to the Compensation Fund and Sheltered Employment Factories.

## Financial Liaison – Public Entities

This Directorate has oversight responsibility concerning financial management and corporate governance relating to 30 Public Entities reporting to the Minister of Labour. This oversight responsibility is augmented with the provision of a support service to these entities in the form of advice and guidance on related matters in pursuit of their individual performance outputs. Total assets of these entities is in excess of R32 billion with an annual income exceeding R18 billion. During 2007/08, the focus was to analyse financial performance through means of refined and efficient financial reporting of the SETAs. This has resulted in the development of a standardised Trial Balance for utilisation by the 23 SETAs. This will enable future uploading of financial data from which monthly management accounts can be extracted versus quarterly reporting that could facilitate early detection of underperformance.

The Directorate has taken substantial actions to improve its financial oversight role through the development of a sophisticated quarterly income and expenditure report to effectively manage and assist entities. This has resulted in the early identification of poor performing SETAs, of which one was subsequently placed under administration. Of note would be that the National Treasury has approached the Department for permission to adopt this reporting format for further refinement and possible utilization by all National Public Entities.

Due to substantial differences and challenges experienced with the interpretation and application of the accounting policy on revenue recognition, that was issued during the 2006/07 financial year, the Department was instrumental in initiating and facilitating meetings between representatives of the National Treasury, the Auditor-General, Department of Labour and SETAs' Technical Task Team to resolve these challenges. This resulted in the final policy and related guidelines being issued to SETAs, for implementation in the 2007/08 financial year.

The Directorate has also been instrumental in providing financial advisory services on the assessment of employers' abilities to pay minimum wages, based on individual applications for exemption from the Ministerial Sectoral Determinations' minimum wages, in the farming, security, and the hospitality sectors. The number of employees concerned totals 9 458.

The transfer of voted funds from the Department to selected public entities were also managed in accordance with drawdown agreements which were premised on pre-set deliverables to ensure the effective, efficient and most economical application and utilisation of funds so transferred.

## Information Technology

The Department of Labour is committed to using technologies to improve service delivery. This intent is fully reflected in the Department's policies and strategies which reflects the recognition of the



## Programme Performance

### Programme 1: Administration

contribution that technology can make to the Department's internal operations as well as to its services to organised business, organised labour and the public. It is envisaged that the application of technologies will have a major impact on the way the Department conducts its business.

The Department entered into a Public Private Partnership (PPP) agreement, with Siemens IT Solutions and Services (SIS) on 1 December 2002. The PPP supports an integrated approach to service delivery, enhances the utilisation of information as a strategic resource, integrates the Department's IT systems more effectively and ensures that the relevant information is digitalised. This forms the basis of the Department's e-government initiatives.

The key purpose of the IT PPP arrangement is to cater for the full spectrum of IT needs and requirements of the Department. Through the partnership, SIS assumes full responsibility and the risk associated with the design, build, operation and maintenance of the Department's IT systems. SIS also provides strategic direction on new information technologies in relation to labour market trends and systems worldwide.

The contractual framework of the PPP provides for the establishment of governance structures necessary for allocating risks appropriately, establishing clearly defined quality of service and value for money mechanisms. The PPP agreement also allows for change management procedures which cater for the incorporation of a changing business environment. The emphasis is on partnership and these governance structures, which are now fully operational, forms the foundation for open debate and a trusting relationship.

The following achievements are noted in their respective areas:

#### Governance

- The governance structures established to manage and capitalise on the benefits of the PPP arrangement continued to function optimally. The PPP Agreement sets out the key roles and responsibilities of the Department and Siemens Business Services necessary to manage the agreement between the two parties. The contract provides for four committees, each with specific terms of reference, and user groups, catering for users with common needs. The Executive Committee, the highest decision making body, brings together the top echelons of both parties, facilitating the process in terms of which senior management is in a position to articulate the goals and the objectives of the partnership and to communicate how the partnership will benefit the respective organisations. The other committees are the Steering Committee, the Service Management Committee and the Change Management Committee. These committees met and discharged of their responsibilities in accordance with the PPP Agreement
- Various information technology policies were drafted and implemented. These policies covered the areas of information systems security, network and user security, acceptable use, email and Internet and disk space allocation
- A risk assessment and risk exposure was completed for the IT environment that would enable the management of risk more efficiently
- The formulation and drafting of a disaster recovery strategy was outsourced to the State Information Technology Agency. The strategy has been finalised and approved by the Director-General. The Department is currently in the planning phase for the implementation of the strategy.

#### Business applications

- Enhancements to Siyaya, the claims management system at the UIF, have been implemented in accordance with new business requirements. Siyaya has been fully operational since April 2005. The implementation of this system contributed towards improved service delivery at the UIF
- The Compensation Fund, in collaboration with its clients, developed an on-line claims status functionality. This allows clients to check the status of their claims on-line without having to contact the Fund. Additional benefits to this include the reduction of duplicates, clients know where in the process the claim is, reduction of queries to the call centre, etc.

# Programme Performance

## Programme 1: Administration

- Enhancements have been effected to the Employment Equity (EE) system. The EE system comprises of the registration of employers, capturing of EE reports, on-line submission of reports by employers as well as the provision of management information to enable the analysis of EE statistics and to monitor compliance
- An Employment Services system was deployed during April 2007. This system aims to reduce unemployment by matching unemployed work-seekers to jobs. In addition, it will provide comprehensive labour market information, in an attempt to balance the supply and demand of labour, ensuring that skills development interventions focus on addressing areas of scarcity. A total of 2 000 staff members were trained to use this system. More than 125 000 work-seekers and 14 000 job opportunities have already been registered.

## Operations

- A new datacentre was built at the Compensation Fund in consultation with risk experts and the National Intelligence Agency that conforms to standards, security and other requirements
- Service delivery was enabled at remote sites by providing an IT service to the 20 mobile labour centres
- The bandwidth of more than 15% of the office's datalines was upgraded to improve the response times experienced on the business applications
- More than 400 computers were added to the environment to provide newly appointed staff members access to the IT systems
- Ministerial iimbizo were held in Mpumalanga, Gauteng South, Gauteng North and the Western Cape where IT resources, in terms of infrastructure; connectivity and access were enabled or deployed to support the staff of the Compensation Fund to serve the Fund's clients. The Ministerial iimbizo have been very successful.

The following are the challenges for the 2008/09 financial year:

- To continue developing IT solutions in such a manner that it will ensure that the clients of the Department are able to access the services of the Department at any time, from any location and through multiple service delivery channels
- To train and recruit staff for fulfilling strategic leadership and contract management roles necessary to manage the PPP Agreement and to ensure alignment between the Department's IT systems and business processes
- To continue to emphasise the importance of business processes to be properly mapped, and if necessary re-engineered, prior to IT-enabling these processes
- To institute sound change management processes necessary to prepare users to appreciate the benefits arising from ICT as a business enabler
- To work closely with SITA and third party telecommunication suppliers to secure an improved Wide Area Network Service
- To amend relevant sections of the PPP Service Delivery Schedule in accordance with current and future business priorities
- The development of systems and automation of processes for the Compensation Fund is dependant on the Fund streamlining and optimising its processes. Additional functionality and enhancements to current legacy systems continue until new systems are developed.

## Internal Audit

The strategic three-year rolling audit plans for the period 2007/08 to 2009/10, and the annual audit plans for 2007/08, were approved by the Audit Committee in May 2007.

In executing the annual audit plans, effectiveness audits were performed to provide management assurance that existing controls were working as intended. These audits provided management with an understanding which controls were not working as intended at the Provinces and Sheltered Employment

## Programme Performance

### Programme 1: Administration

Factories, regarding management of assets, financial management, supply chain management, transport and human resources management. Management of the National Skills Fund (NSF) was also provided assurance regarding the effectiveness of existing controls within the management of the funding windows, and financial management. At the Compensation Fund core business were concentrated on such as revenue collection and claims management.

Sixty audits were scheduled as per the approved annual audit plans. All 60 audits were finalised and final reports were issued. In addition one ad-hoc investigation was performed.

The Directorate provided secretarial services to the Audit Committees of the Department of Labour and the Compensation Fund. Documentation required for each meeting was distributed timeously before the dates of meetings, and minutes of the meetings were provided 10 days after the meetings were held.

Advice were provided to stakeholders regarding adequacy of controls and improvement of processes, by attending the IT Audit Forum Meetings, Programme Management Meetings at the Compensation Fund, Project Team Meetings regarding the restructuring of the National Skills Fund, and the Decentralisation of Functions by the Compensation Fund.

A continuous process to review the quality of the work performed by the Directorate was implemented to review audit working papers, to ensure a continuous and in-house process of quality assurance reviews are performed.

## Security Services

### Physical Security

#### Electronic Security System

Phase III of the electronic Security System has been signed and completed. A maintenance agreement has been signed for all three phases with the service provider. A back-up system for the CCTV footages has been installed to view incidents and the footages for a period of one year.

Bids have been invited for an electronic Security System to be implemented at the Durban Labour Centre. The estimated cost of the project will be R1.7 million.

#### Contract security

The Kwazulu-Natal, Northern Cape, and Gauteng North Provinces were orientated and assisted with the procedures of private security tenders. Assistance was also given in empowering these offices with the evaluation and awarding of private security tenders. Most of the Labour Centres in those provinces have security to protect State property, assets, information and equipment.

The National Skills Conference was held in Boksburg, Gauteng Province from 18 to 19 October 2007. Security services has co-ordinated all security arrangements.

The Department hosted the World Day for Safety and Health at Work in May 2007 in Rustenburg. Security Services co-ordinated the security arrangements successfully.

#### Investigations into security capacity in provinces

Officials from Security services and Human Resources Management conducted an investigation on the security capacity in Mpumalanga, KwaZulu-Natal, the Western Cape and North West Province. As in-house security capacity is non-existent in most provinces this investigation would assist with capacity

# Programme Performance

## Programme 1: Administration

of security in the provinces.

### Contingency planning compliance

An evacuation drill was conducted at Head Office, the Compensation Fund and at the Unemployment Insurance Fund. All contingency officers were trained in fire fighting and first aid before the evacuation drill.

## Information security

### Security awareness programme

The Security Awareness Programme was presented at Head Office, the Unemployment Insurance Fund, KwaZulu-Natal, Mpumalanga, North West, Gauteng South, Gauteng North, INDLELA, and Free State. The purpose of the Awareness programme was to ensure that all staff members understand security measures within the Department including their roles and responsibilities.

### Personnel security

A circular informed senior staff members them on the importance of the Pre-employment screening of officials and also to ensure compliance with the MISS and the Public Service Act. Inputs were made on the recruitment and selection policy to include the pre-employment screening of officials as a requirement for all posts within the Department.

### Document security.

Document Security procedure manual have been developed. The purpose of the manual is to identify, classify and store, in locking facilities, sensitive and or confidential documents and information.

### Training

The following courses were attended by security officials as part of their Personal Development Plans:

- UNISA front-line course
- First Aid, fire fighting
- NIA Security Manager's course
- Basic Computer course
- Portfolio of Evidence course UNISA Security Management course.

## Programme Performance

### Programme 2: Service Delivery

Service Delivery is responsible for making sure that the Department of Labour's policies and programmes are implemented and monitored in an integrated manner.

There are six subprogrammes:

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



*Paul Jeli explaining to workers why their construction site has to be shut down.*

## Programme Performance

### Programme 2: Service Delivery

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

Subprogramme	Output	Measure/Indicator	Target	Actual
<b>Management Support Services</b>	Decentralisation of functions and delegation of authority to provincial offices and labour centres.	Phase 2 Integrated Business Strategy rolled out.	April 2007.	Not achieved. The document on functions to be decentralised was developed.
<b>Employment Services</b>	A single, improved and integrated employment services system is rolled out to ensure improved access to employment services.	Phase 1 implemented.	By April 2007.	Phase 1 of the Employment Services System was rolled out and is accessible to all provincial offices and all 125 labour centres across the country. A total of 1 989 staff members were capacitated and empowered to implement the system and serve the public. A total of 169 059 job seekers and 15 364 job opportunities were registered on the system and 5 578 job seekers were placed in formal employment. A total of 17 375 jobseekers were assessed and 13 039 were referred. A total of 2 965 of those assessed were placed in learnership opportunities, 3 770 were placed in EPWP Infrastructure projects and another 3 535 were placed in the data capturing internship project of the Department of Health.
		Phase 2 developed and implemented.	By March 2008.	Phase 2 of the system was not developed due to lack of funding.
		Number of unemployed people trained and placed.	90 000 unemployed people trained.	Increasing numbers of unemployed people are being trained in the social development skills programmes and the number of accredited training provided is also increasing. A total of 101 924 unemployed people were trained. 28% of the trainees received accredited training.
		Percentage of trainees who receive accredited training.	26% of trainees accredited.	A total of 75 431 or 74% of the trainees were placed in employment opportunities against a target of 63 000 or 70%. Of those trained, over 36 023 were in EPWP Programmes at a cost of R133 867 584. A total of 6 571 in ISRDP Programmes at a cost of R12 914 746 and 1 276 in URP Programmes at a cost of R2 996 619. The beneficiaries of the skills programmes were: 54% female; 59% youth and 2% people with disabilities.
		Placement rate for accredited trainees.	70% of accredited trainees placed.	

## Programme Performance

### Programme 2: Service Delivery

Subprogramme	Output	Measure/Indicator	Target	Actual
<b>Inspection and Enforcement Services</b>	Employment equity implementation and enforcement mechanisms.	Director-General review system implemented, targeting critical sectors for substantive compliance.	By March 2008.	See report by LP&LMP.
		Turnaround time for employment equity designated employers to be inspected for procedural compliance following a complaint.	Within 90 days.	The capacity of inspectors to implement and enforce EE procedural compliance has improved with more employers being reached. Over 8 475 EE designated employers were inspected against a target of 4 000 and 6 881 (81%) complied within 90 days against a target of 75%.
		Compliance award system implemented.	By March 2008.	Not achieved.
	Monitoring of compliance with labour legislation.	Inspection and enforcement strategy implemented.	By April 2008.	<p>The inspection and enforcement strategy was reviewed identifying three strategic pillars to improve the performance of inspectors. The inspectorate services are more accessible to clients and capability of labour inspectors and client services officers are inspecting more workplaces and resolving more labour complaints than any other year since 2003.</p> <p>A total of 200 665 workplaces were inspected against a target of 150 000 and 156 924 (78%) of those inspected complied with labour legislation requirements within 90 days against a target of 112 500 or 70%. A total of 18 562 of the workplaces inspected were in industries with high OHS incidence rates against a target of 4 000.</p> <p>A total of 220 191 labour complaints were received and 173 057 (79%) were investigated and settled within 90 days against a target of 70%.</p> <p>At least 4 106 or 74% of the 5 573 occupational health and safety incidents reported were investigated and finalised against a target of 70%.</p>

Programme Performance

Programme 2: Service Delivery



Minister Membathisi Mdladlana alert Berg Water Dam OHS officers of a hazardous area on the site.

Subprogramme	Output	Measure / Indicator	Target	Actual
<b>Labour Market Information and Statistics</b>	Labour market information and statistics: Collected, collated, analysed and disseminated to various stakeholders.	Frequency of trend analysis, including performance review reports.	Quarterly reports.	Quarterly Monitoring reports compiled and performance analysis reports developed.
		Job placement verification, including impact assessment study.	By March 2008.	See report by LP&LMP.
<b>Occupational Health and Safety</b>	Integration of occupational health and safety and compensation competencies across government.	Institutional framework for integrating of occupational health and safety competencies finalised.	By March 2008.	The draft framework document for the integration of compensation competencies is finalised.
		Legislation promulgated and Act implemented.	By March 2008.	The draft National Occupational Health and Safety Bill and the National Occupational Health and Safety Policy was developed.



## Programme Performance

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

This programme focuses on implementing and monitoring employment creation and skills development via the national skills development strategy (NSDS) and the national human resource development strategy.

There are nine subprogrammes:

- **National Skills Fund Admin and Transfers** funds projects identified in the NSDS as national priorities and other projects related to the achievements of the purposes of the Skills Development Act (1998), as determined by the Director-General of the Department of Labour.
- **SETA Co-ordination** co-ordinates the implementation of the NSDS at sectoral level through performance management and support for best practice development within SETAs.
- **INDLELA** is a national apprentice assessment centre that also addresses much needed specialised technical training skills and the training of craftsmen for small industries, using the master craftsman model.
- **Training of Staff** funds staff training programmes and ensures that the relevant skills are available for implementing legislation.
- **Programme Management Support** provides management support to the employment and skills development services programme manager and co-ordinates NSDS reporting and monitoring.
- **NSA Secretariat** provides secretariat support to the National Skills Authority (NSA).
- **Quality Development and Promotion** co-ordinates the development of a plan to implement quality promotion and the development of skills for trades and occupations, through quality assurance of education training and development at workplaces.
- **Productivity SA** supports government-led strategic initiatives that affect job creation, productivity and competitiveness.
- **Umsobomvu Youth Fund (UYF)** implements youth development programmes and mainstream youth development, for young people to have sustainable livelihoods.



Learners at the screen printing training in the Northern Cape.

Programme Performance

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

**Measurable objectives:** Achieve year three success indicators of the National Skills Development Strategy targets through managing service level agreements and providing support services to all SETAs, NSF funded projects, Umsobomvu Youth Fund and the Productivity SA (formerly known as National Productivity Institute)

**Table 3.1 provides progress towards the NSDS 2005-2010 targets set for the period 1 April 2007 to 31 March 2008**

Measurable objective: To implement the National Skills Development Strategy 2005-2010.				
Subprogramme	Output	Measure/Indicator	Target	Actual
<b>NSF Admin and Transfers</b>	Implementation of national skills development strategy 2005-2010 year three targets aligned to ASGI-SA: Achieve first year NSF strategic project targets in support of provincial growth and development strategies/ASGI-SA.	Number of learners registered in programmes across all provinces by March 2008.	6 000 learners.	7 400 learners were registered in various Provincial Strategic Projects.
		Number of learners registered in programmes across all provinces by March 2008.	400 Co-ops received Skills Development.	400 Co-ops were allocated R32 million to benefit 3 783 learners.
		Number of unemployed learners trained via targeted funded skills development programmes, including ABET, by March 2008.	90 000 unemployed people trained, 26% receive accredited training, 70% placed.	101 924 unemployed people were trained, 28% received accredited training, 75 431 (74%) were placed.
			60 000 ABET unemployed learners trained.	19 987 unemployed learners registered in various ABET levels. A Further 40 000 will be trained in 2008/09.
<b>SETA Coordination</b>	Implementation of National Skills Development Strategy 2005-2010 year three targets aligned to ASGI-SA.  Achievement of targeted SETA funded skills development programmes monitored.	Scarce and critical skills list and database updated.	September 2007.	Scarce and Critical Skills and database was updated in October 2007 and is on Department's website.
		Number of non-levy paying organisations receiving skills development support by March 2008.	At least 600 SMMEs, NGOs, Co-ops, and small BEE enterprises.	5 565 non-levy paying SMMEs, NGOs, Co-ops received training.
		Number of ABET employed learners trained by March 2008.	40 000 ABET employed learners.	40 602 entered all ABET levels and 19 399 completed.
	Number of workers assisted to enter scarce and critical skills in learnerships, apprenticeships, internships, bursaries and skills programmes.	26 000 workers.	110 870 workers entered programmes, 70 526 completed.	

## Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target	Actual
<b>SETA Coordination</b>	Achievement of targeted SETA funded skills development programmes monitored.	Number of unemployed people assisted to enter scarce and critical programmes in learnerships, apprenticeships, internships, bursaries and skills programmes.	26 000 unemployed people.	56 344 unemployed people were assisted and 39 240 completed.
		Number of learners in areas of critical skills placed for experience locally and internationally.	2 000 learners.	5 535 (78%) learners were assisted to gain work experience.
		Number of youth trained for New Venture Creation.	2 000 youth.	2 229 youth trained in New Venture Creation programmes.
	Quality Assurance of training provided related to the NSDS 2005-2010.	Framework for Quality Council for Trades and Occupations completed.	March 2008.	Framework was completed in September 2007 and incorporated in SDA Bill 2008.
<b>INDELEA</b>	Implementation of National Skills Development Strategy 2005-2010 year three aligned to ASGI-SA.	Strategy approved to refocus INDELEA to cater for apprenticeship moderation, learner assessment and specialised training.	March 2008.	Strategy was developed, approved and incorporated in Skills Development Amendment (SDA) Bill 2008.  Candidates assessed: 9 557 trade tests were arranged, 1 708 were absent or withdrew, 7 928 were tested, 2 903 passed.

**Table 3.2 Achievements against the NSDS 2005-2010 year three targets**

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
<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>	23 SETAs during the first and second years submitted Sector Skills Plans (SSPs) that received positive evaluation. A National Master and Critical Skills List was developed.	Skills development supports national and sectoral growth, development and equity priorities.	23 SETA SSPs supporting national strategies were approved and consolidated into a National Scarce Skills list. The list was incorporated into the SA State of Skills 2007/08 publication and is also on the Department's website.
		Productivity SA: Develop five productivity improvement projects for electricity, municipality and transport sectors.	Productivity SA projects were completed for Ekurhuleni Metro, and the SA Nursing Council.

Programme Performance

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

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
<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>	24 932 (8 082 + 16 850) SDF and/or sector specialists to be trained.	7 275 Skills Development Facilitators (SDFs) and/or sector specialists to be trained.	16 320 (224%) 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>	7 406 (3 021 + 4 385) large firms and 9 089 (3 709 + 5 380) medium firms were supported through skills development.	3 169 large firms and 4 000 medium firms supported through skills development.	4 541 large and 480 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>	55 229 (28 676 + 26 553) small levy paying firms supported through skills development.	27 967 small levy paying firms supported through skills development.	21 999 small levy paying enterprises were supported.
<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>	85 government departments spent more than 1,77% personnel budget on training.	80% of government departments spend at least 1% of personnel budget on training.	76% (65 out of 85) government departments, spent more than 1% of their total staff budget on training.
<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>	Indicator not measured due to research on the South African standard for people development that was still under way.	A national standard of good practice in skills development submitted to the Minister for approval.	A draft national framework was developed and piloted to recognise good practice in skills development. 1 Provincial Office of the Department, 3 social development projects, 4 SETAs, 3 employers and 3 training providers were recognised.

## Programme Performance

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

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
<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>	1 293 (0 + 1 293) small BEE firms and BEE co-operatives supported with skills development.	A total of 814 small BEE firms and BEE co-operatives supported with skills development.	1 224 (150%) small BEE firms and co-operatives were supported.
<b>2.6. From April 2005 to March 2010 there is 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</b>	2 350 (1 178 + 1 172) new workers benefited 100% SA citizens	Annually increasing number of people who benefit from incentives training for employment /re-employment in new investments and expansion initiatives.	2 368 new workers benefited from an allocated R12,8 million training grants.
	204 (93+108) NPI future forums established.	100 PSA future forums established.	100 future forums were established.
	116 company clusters and 55 turn-around strategies.	Compile 50 turn-around strategies.	74 turn-around strategies were compiled.
<b>2.7. By March 2010 at least 700 000 workers have achieved at least ABET level 4</b>	81 282 (35 187 + 46 095) entered all ABET levels and 12 748 (0 + 12 748) have achieved ABET levels.	SETAs committed to a target of 60 038 workers trained across all ABET levels of which 42 884 to have completed.	40 602 (68%) entered all ABET levels and 19 399 (45%) completed.
<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>	127 939 ( 70 362 + 57 577) learners have entered learning programmes and 51 286 (29 863 + 21 423) learners have completed.	35 736 workers assisted to enter and 19 808 (50%) successfully complete programmes, including learnerships, and apprenticeships.	110 870 (310%) learners entered learning programmes and 70 526 (64%) completed. Breakdown is as follows: 20 339 learnerships; 5 289 bursaries in scarce and critical skills; 2 716 Manpower Training Act (MTA) section 13 apprentices; 937 MTA section 28 apprentices; 85 internships and 81 504 skills programmes.

Programme Performance

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

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
	<p>National Productivity Institute (NPI) number of people trained in productivity concepts 405 (22 + 383) Education Training and Development (ETD)</p> <p>41 (39 +2) Skills Development Facilitators (SDFs) 259 (229 +30) managers 736 (584 + 152) workers</p>	<p>Productivity SA training in productivity concepts 460 ETDP service providers</p> <p>24 SDFs 40 managers 400 workers</p>	<p>People trained in productivity concepts 767 EDTP 121 SDFs 38 managers 459 workers.</p>
<b>3. Promoting employability and sustainable livelihoods through skills development</b>			
<p><b>3.1. Success Indicator 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>221 321 (103 168 + 118 153) unemployed people trained and 146 067 (55 376 + 90 691) placed.</p> <p>36% received accredited training.</p> <p>5 944 youth trained in National Youth Services Umsobomvu Youth Fund (UYF).</p>	<p>90 000 unemployed people trained.</p> <p>63 000 (70%) placed in employment, self-employment or social development programmes, including EPWP. 25% of training quality assured.</p> <p>20 000 unemployed youth acquire skills through national youth service projects (UYF).</p>	<p>101 924 unemployed people were trained; 71 054 (72%) were placed;</p> <p>28% of the training provided was accredited.</p> <p>17 298 youth were recruited to commence training as from February 2008.</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>5 033 (829 + 4 204) non-levy paying enterprises supported through skills development.</p>	<p>3 063 non-levy paying enterprises supported through skills development.</p>	<p>5 565 (182%) non-levy paying enterprises were supported.</p>

## Programme Performance

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

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
<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>	20 000 unemployed people participated in ABET Level programmes of which 70% have achieved ABET level 4.	20 100 unemployed people have participated in ABET level programmes of which 70% have achieved ABET level 4.	19 987 (99%) unemployed people entered ABET programmes on various levels.
<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>	87 687 (46 676 + 41 011) unemployed people trained. 16 507 (4 256 + 12 251) successfully completed those learning programmes.  2 558 learners trained in entrepreneurship (UYF).	32 719 unemployed people assisted to enter and at least 16 360 (50%) successfully completed programmes.  20 000 trained in entrepreneurship (UYF).	56 344 (172%) entered learning programmes and 39 240 (70%) completed. Breakdown is as follows: 26 631 learnerships; 4 699 bursaries in scarce and critical skills ; 4 297 section 13 apprentices; 5 799 section 28 apprentices; 1 792 internships and 13 126 skills programmes.  44 272 learners were trained in entrepreneurship.
<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>	11 446 (2 751 + 8 695) learners in critical skills programmes covered by sector agreements from FET and HET and 279 (276 + 3) were placed.  1 250 young unemployed graduates linked to sustainable opportunities (UYF).	6 705 learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience, and at least 6 618 (70%) find placement. (UYF) Link.  2 000 young unemployed graduates linked to sustainable opportunities.	5 535 (78%) learners were assisted to gain work experience.  57 young people were linked to sustainable opportunities.
<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>	4 268 (981 + 3 287) young people trained and mentored to form sustainable New Venture Creations (NVCs). 755 out of 981 established during 2005/6 and 634 out of 3 287 established during 2007/08 were sustainable after the first 12 months of establishment respectively.  NPI trained 446 emerging entrepreneurs. UYF linked 1 028 entrepreneurs to business opportunities.	2 344 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  650 young entrepreneurs to access business opportunities (UYF).  500 young people to undergo NVC learnership programme (UYF).	2 229 (95%) learners were trained for form NVCs programmes.  803 young entrepreneurs accessed business opportunities of which 51 became operational.  50 learners were trained.

Programme Performance

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

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
<b>5. Improving the quality and relevance of provision</b>			
<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>	507 (31 + 476) ISOEs supported.	52 Institutes of Sectoral and Occupational Excellence (ISOE) recognised and supported by SETAs.	531 (1 021%) ISOEs were recognised and supported.
<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>	135 (41 + 94) provider institutions accredited to manage the delivery of the new venture creation qualification.	126 provider institutions accredited to manage the delivery of the new venture creation qualification.	147 (264%) provider institutions were accredited.



## Programme Performance

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

Indicator	Achievements : 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements 1 April 2007 to 31 March 2008
<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>Impact of skills development will be measured through research commissioned in partnership agreement with the HSRC.</p>	<p>Measurable improvement in the quality of the services delivered by skills development institutions.</p>	<p>23 SETAs retained accreditation status with SAQA.</p> <p>568 out of 1 094 courses on the NSF system are aligned to SAQA Unit Standards.</p> <p>HSRC 2008 findings indicates improved participation rates in critical and scarce skills.</p> <p>Productivity SA 2008 study findings indicates improved productivity due to increased skills development interventions.</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>UNISA conducted SETA Boards constituency assessments across 23 SETAs and developed a governance and financial management programme.</p>	<p>NSA constituency based assessment of improvement in stakeholder capacity development.</p>	<p>UNISA developed assessment tools were used to conduct 19 SETA Boards capacity assessments during 2007.</p> <p>Director-General approved funding for NSA stakeholder capacity development initiatives will be implemented during 2008/09.</p>

Programme Performance

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



Oupa Mopaki, CEO of Isset SETA, Minister Mdladlana and Lucky Masilela, Chairperson of Isset.

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

**Table 3.3** illustrates the total levies collected by SARS and transferred to SETAs and the NSF within 30 days for the period 1 April to 31 March 2008. The amounts represent 1% of employer's payroll above R500 000 per annum and exclude direct government departments contributions to SETAs.

**Table 3.3 Skills levies collected and transferred to SETAs and NSF**

Levy year	Year collected 1 April 2007- March 2007	Total amount collected	Amount transferred to SETAs during the levy year	Amount transferred to NSF during the levy year
2007/08 Grand total	1 April 2007 - March 2008	6 358 905 476.06	5 087 124 382.88	1 271 781 093.18

**Umsobomvu Youth Fund (UYF) and Productivity South Africa**

The targets for the UYF and Productivity SA relating to the National Skills Development Strategy are incorporated in **Table 3.3** for the purposes of tracking progress on the implementation of the NSDS 2005 - 2010. The two entities, like individual SETAs, produce their own separate Annual Reports and are audited separately from the Department of Labour's National Skills Fund.

## Programme Performance

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

Labour Policy and Labour Market Programmes is responsible for establishing an equitable and sound labour relations environment and promoting South Africa's interests in international labour matters.

Apart from the Programme Management Unit, there are nine subprogrammes:

- **Strengthen Civil Society Fund** provides support to civil society organisations involved in the world of work, to strengthen the capacity of workers and employers to contribute to a stable and well functioning labour market by providing resources, support and expertise in a manner that will strengthen their independence and self reliance.
- **Collective Bargaining** manages the implementation of the Labour Relations Act (1995) through policies and practices that promote sound labour relations.
- **Commission for Conciliation, Mediation and Arbitration** makes transfers to the commission, which manages disputes in the labour market through conciliation, mediation and arbitration.
- **Employment Equity and Standards** promotes equity in the labour market by eliminating unfair discrimination based on race, gender and disability, and assists designated employers to implement affirmative action measures. It develops policies to enforce the Basic Conditions of Employment Act (1997), sets minimum wages and conditions of employment for vulnerable workers, including children, approves applications for variations on the act, and hosts the secretariat to the Employment Conditions Commission.
- **Research, Policy and Planning** manages commissioned research, and monitors and evaluates conditions and policies affecting the labour market in South Africa and elsewhere. It also identifies relevant labour market interventions and policy options.
- **Labour Market Information and Statistics** collects, collates and analyses labour market statistics, and informs all stakeholders about various labour legislation and labour market information.
- **International Labour Matters** represents the South African government at the International Labour Organisation (ILO), African Union Labour and Social Affairs Commission, the SADC Employment and Labour Sector and the African Regional Labour Administration Centre (ARLAC).
- **National Economic Development and Labour Council (NEDLAC)** makes transfers to the council, which promotes economic growth, participation in economic decision-making and social equity by seeking consensus and agreements on social and economic policy and all proposed legislation between community organisations, labour, business and government.
- **Sheltered Employment Factories** is responsible for the administration, production and financial control of employment centres for the disabled, subsidising operating losses and capital expenditure of work centres for the disabled, and subsidising workshops for the blind in accordance with approved standards.

# Annual Report

## Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target	Actual
Strengthen Civil Society	<p>Project targeting vulnerable workers in rural and remote areas supported by allocating funds.</p> <p>Collective agreements extended to non-parties and labour organisations registered.</p>	<p>Turnaround time for appraising projects and allocating funds.</p> <p>Turnaround time for publishing and registering collective agreements.</p>	<p>Within 30 days of receipt of application.</p> <p>Published within 60 days Registered within 90 days.</p>	<p>The following organisations were allocated funds: DITSELA Strekstroom Advice Centre South African Labour Bulletin Workers College Natal Barkley East Advice Centre Nkomazi Community Advice Centre Lotavha Labour Advice Centre FEDUSA/NACTU Workshop.</p> <ul style="list-style-type: none"> <li>• Sixty four collective agreements of bargaining councils were extended to non-parties covering 884 403 workers.</li> <li>• 38 Bargaining Councils were visited to determine their representivity and 12 representivity certificates were issued.</li> <li>• 99 Applications for registration of employers' organisations and trade unions were received. Only 13 applications were approved.</li> </ul>
Employment Equity and Standards	<p>Employment equity implemented and enforcement mechanisms strengthened.</p> <p>Employment equity awareness campaigns and publications.</p>	<p>Director-General review system targeting critical sectors for substantive compliance implemented.</p> <p>Number and type of publications in 2007/08.</p>	<p>By March 2008.</p> <p>7th and 8th Commission for Employment Equity reports published Employment equity analysis report on website 2007 employment equity public register published.</p>	<ul style="list-style-type: none"> <li>• 7 Companies (i.e. 26 in total when including subsidiaries) that are among the Top 100 JSE list were identified and subjected to a review by the Director-General (DG) in terms of section 43 of the Employment Equity Act.</li> <li>• To further enhance the capacity of the Department to be able to provide quality assistance to designated employers during the reporting period of October 2007, the EE System was rolled-out to the provinces.</li> <li>• The 7th CEE Annual Report was published on 15 May 2007.</li> </ul> <p>The following codes were translated:</p> <ul style="list-style-type: none"> <li>• Disability Code (Sesotho, Afrikaans and SiSwati).</li> <li>• HIV and Aids Code (Setswana).</li> <li>• Sexual Harassment Code (SiSwati, Sesotho, Tshivenda and Afrikaans).</li> <li>• 20 workshops were conducted in all provinces on EE reporting requirements and online reporting.</li> </ul>

## Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target	Actual
	<p>Sectoral determinations investigated and published for residual and emerging vulnerable workers.</p> <p>Child Labour Programme of Action implemented.</p>	<p>Finalise investigations into hospitality and welfare sectors Review wage differentials, earnings threshold and taxi sectors Start investigation into unskilled labour and farm workers.</p> <p>Child labour programme of action submitted to Cabinet for endorsement.</p>	<p>September 2007.</p> <p>March 2008. March 2008. Submitted to Cabinet in September 2007.</p>	<ul style="list-style-type: none"> <li>The Earnings Threshold was reviewed and published in the Government Gazette.</li> <li>Investigations were embarked on in the following sectors: <ul style="list-style-type: none"> <li>Hospitality</li> <li>Welfare</li> <li>Unskilled workers (all sectors)</li> <li>Taxi sector</li> </ul> </li> <li>The 40-hour week and wage differentials were also investigated.</li> </ul> <p>A number of exit meetings were held with key government departments such as Social Development, Water Affairs and Forestry, and SAPS so that these departments could mainstream the activities performed by TECL into their work plans.</p>
Research, Policy and Planning	Impact of Department's Strategic Plan on stated goals and objectives researched and reported on.	<p>Research, monitoring and evaluation agenda implemented</p> <p>Commissioned research reports Completed</p> <p>Frequency of reports on the implementation of the Growth and Development Summit agreement.</p>	<p>By March 2008.</p> <p>By March 2008.</p> <p>June, September, December 2007 and March 2008.</p>	<p>The following research reports were completed and submitted:</p> <ul style="list-style-type: none"> <li>Analysing Wage Formation in the South African Labour Market: The role of Bargaining Councils.</li> <li>Labour Market in South Africa: Measuring Regulation and a Synthesis of Policy Suggestions.</li> <li>An Empirical Analysis of Dispute Resolution.</li> <li>Minimum Wages, Employment and Household Poverty: Investigating the Impact of Sectoral Determinations.</li> <li>Adherence to and Progress made in respect of the Hours of Work provisions within the BCEA.</li> <li>A synthesis analysis of labour regulation studies.</li> <li>Employment and Informal Economy in South Africa.</li> </ul>

# Annual Report

## Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target	Actual
	<p>New research areas identified and approved projects commissioned.</p> <p>Growth and Development Summit Agreement implemented.</p>			<ul style="list-style-type: none"> <li>• National research on identification of critical skills.</li> <li>• Sector specific research and related skills requirements.</li> <li>• Learnerships: Learning and employment pathways of learnership participants in the NSDS Phase II.</li> <li>• Towards measuring the pool of designated groups that are suitably qualified in various sectors and occupation categories.</li> <li>• Tracking progress on the implementation and impact of the Employment Equity Act since its inception.</li> <li>• State of skills, 2006.</li> <li>• National Skills Survey 2007 of small, medium and large firms.</li> <li>• Training five Masters Degree Research Interns over two years and five Human Science Research Council interns. Five appointed interns participated in a specific study as part of the RME programme. They are currently working on the final report on the employment and informal economy project. The project is a joint collaboration between the Department of Labour and the Sociology of Work Unit in the Department of Sociology at WITS University. It is aimed at developing female research in the area of labour market policy as an intervention to bridge the identified gap in this regard.</li> <li>• Four quarterly reports compiled on the implementation of the Growth and Development Summit (GDS) agreement.</li> <li>• First quarterly report dealing with the implementation of the GDS submitted to the President.</li> <li>• GDS report process placed on hold until comprehensive review of Terms of Reference and Report format is done (target: end 2008). Only one PJWG meeting had GDS report on the agenda during the year (July 2007).</li> </ul>

## Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target	Actual
Labour Market Information and Statistics	Changing labour market trends analysed and reported and implications for the Department's interventions explored.	Frequency of labour market reports.	June, September, December 2007 and March 2008.	A number of labour market reports were prepared during the year. These included: <ul style="list-style-type: none"> <li>● Unemployment and Job Opportunity Index Report 2007.</li> <li>● Placement Verification Survey Report.</li> <li>● 2007 Annual Labour Market Bulletin.</li> <li>● 2007 Annual Industrial Action Report.</li> </ul>
International Labour Matters	Input into policies in the International Labour Organisation (ILO) and contributions to the decent work country programme.	Participate in the ILO governing body, the International Labour Conference, and the decent work country programme.	Attend conferences in June and November 2007.	<ul style="list-style-type: none"> <li>● ILC reached conclusion on the fishing sector, sustainable enterprise development, budget and programme, and development of technical capacity.</li> <li>● Article 19 Report submitted to ILO in April 2007.</li> <li>● Obligation to submit report to competent authorities in progress.</li> <li>● Article 22 Report submitted in September 2007.</li> <li>● Article 19 Report on unratified conventions for 2008 submitted to the ILO.</li> <li>● Government's observation sent to the ILO on the matter between the South African Government and CEASER.</li> <li>● Article 19 obligation to submit to competent authority discharged.</li> </ul>
Sheltered Employment Factories	Restructuring of Sheltered Employment Factories.	Operation of factories within budget Factories established as legal entities and operating within budget.	By March 2008.	<ul style="list-style-type: none"> <li>● Broad direction of a turn-around strategy developed and approved.</li> <li>● The order book totaled R14.7 million and production was in progress. Accounting practices were revised and the SEF are now fully GAAP compliant.</li> <li>● Compliance with SA GAAP; assets were reconciled and a new asset register was compiled.</li> </ul>

## Annual Report

### Programme Performance

#### Programme 5: Social Insurance



*One of the workers putting final touches on a chair at the Sheltered Employment Factory in Cape Town.*

Social Insurance provides for the compensation of civil servants in cases of accidents or illnesses sustained while on duty through the Compensation Fund. It 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

#### National Skills Fund Performance

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

Given the commitment of government to act in a more concerted fashion, the flexibility given to the Director-General in the latter part of the afore mentioned clause of the Act, allows the Department to take into account other government policy/priority imperatives in the allocation of these funds. These might include the HRD Strategy; growth, employment and investment strategies and social development priorities.

#### **Performance measurement as per the Estimates of National Expenditure 2007 (Vote 17 Labour)**

<b>Measurable objective: To implement the National Skills Development Strategy 2005-2010.</b>				
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target</b>	<b>Actual</b>
NSF Admin and Transfers.	Implementation of national skills development strategy 2005-2010 year 3 targets aligned to ASGI-SA: Achieve first year NSF strategic projects targets in support of provincial growth and development strategies/ASGI-SA.	Number of learners registered in programmes across all provinces by March 2008.	6 000 learners.	7 400 learners were registered in various Provincial Strategic Projects.
		Number of non-levy paying co-ops receiving skills development support by March 2008.	400 Co-ops received Skills Development.	400 Co-ops were allocated R32million to benefit 3 783 learners.
		Number of unemployed learners trained via targeted funded skills development programmes, including ABET, by March 2008.	90 000 unemployed people trained, 26% receive accredited training, 70% placed.  60 000 ABET unemployed learners trained.	101 924 unemployed people were trained, 28% received accredited training and 70% were placed.  19 987 unemployed learners registered in various ABET levels. A further 40 000 will be trained in 2008/09.

**Achievements against the NSDS 2005-2010 year 3 targets**

Indicators	Achievements: 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements April 2007 to March 2008
<b>1. Prioritising and communicating critical skills for sustainable growth, development and equity</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.	24 932 (8 082 +16 850) SDF and/or sector specialists to be trained.	7 275 Skills Development Facilitators (SDFs) and/or sector specialists to be trained.	16 320 (224%) SDFs/sector specialists received training.
<b>2. Promoting and accelerating quality training for all in the workplace.</b>			
2.6. From April 2005 to March 2010 there is 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.	2 350 (1 178 +1 172) new workers benefited 100% SA Citizens.  204 (93+108) National Productivity Institute (NPI) future forums established.  116 Company clusters and 55 turn-around strategies.	Annually increasing number of people who benefit from incentives training for employment /re-employment in new investments and expansion initiatives.  100 PSA future forums established.  Compile 50 turn-around strategies.	2 368 New workers benefited from allocated R 12,8 million training grants.  100 future forums established.  74 turn-around strategies compiled.
<b>3. Promoting employability and sustainable livelihoods through skills development</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.	221 321 (103 168 + 118 153) unemployed people trained and 146 067 (55 376 + 90 691) placed.  36% received accredited training.	90 000 unemployed people trained.  63 000 (70%) placed in employment, self-employment or social development programmes, including EPWP. 25% of training quality assured.	101 924 unemployed people were trained 71 054 (70%) were placed.  28% of the training provided was accredited.
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.	5 033 (829 + 4 204) non-levy paying enterprises supported through skills development.	3 063 non-levy paying enterprises supported through skills development.	5 565 (182%) Non-levy paying enterprises were supported.
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 4	20 000 unemployed people participated in ABET Level programmes of which 70% have achieved ABET Level 4.	20 100 unemployed people have participated in ABET Level programmes of which 70% have achieved ABET Level 4.	19 987 (99%) unemployed people entered ABET programmes on various levels.

# Programme Performance

## National Skills Fund

Indicators	Achievements: 1 April 2005 to 31 March 2007	Annual targets for 2007/08	Achievements April 2007 to March 2008
<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>			
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.	87 687 (46 676 + 41 011) unemployed people trained.  16 507 (4 256 + 12 251) successfully completed those learning programmes.	32 719 unemployed people assisted to enter and at least 16 360 (50%) successfully completed programmes.	56 344 (172%) entered learning programmes and 39 240 (70%) completed. Breakdown is as follows: 26 631 learnerships; 4 699 bursaries in scarce and critical skills ; 4 297 section 13 apprentices; 5 799 section 28 apprentices; 1 792 internships and 13 126 skills programmes.
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.	4 268 (981 + 3 287) young people trained and mentored to form sustainable New Venture Creations (NVCs). 755 out of 981 established during 2005/06 and 634 out of 3 287 established during 2007/08 were sustainable after the first 12 months of establishment respectively. NPI trained 446 emerging entrepreneurs.	2 344 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.	2 229 (95%) learners entered NVCs programmes. 634 out of 3 287 young people who established NVC were sustainable after 12 months of completion.
<b>5. Improving the quality and relevance of provision</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 NSDS.	Impact of skills development will be measured through research commissioned in partnership agreement with the HSRC.	Measurable improvement in the quality of the services delivered by skills development institutions.	23 SETAs retained accreditation status with SAQA.  568 out of 1 094 courses on the NSF system are aligned to SAQA Unit Standards.  HSRC 2008 findings indicates improved participation rates in critical and scarce skills.  Productivity SA 2008 study findings indicates improved productivity due to increased skills development interventions.
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.	UNISA conducted SETA Boards constituency assessments across 23 SETAs and developed a governance and financial management programme.	NSA constituency based assessment of improvement in stakeholder capacity development.	UNISA developed assessment tools were used to conduct SETA Boards capacity assessments during 2007.  DG approved funding for NSA stakeholder capacity development initiatives according to their plans.

## Projects

### 1. Strategic Projects for PGDS/ASGI-SA

#### Project Aim

The project aim was to support skills development initiatives from provincial governments in line with their Provincial Growth and Development Strategies (PGDS) to drive and sustain provincial macro economic, social and development strategies.

#### Specific objectives for this project in 2007/08

The Strategic Projects were launched by the Minister of Labour during December 2006 to support all nine provinces. An amount of **R 886 million** was committed under the National Skills Fund to support **41 000** learners over a three-year period, i.e. 2007 to 2009. The initiative is set to benefit mostly women and people with disabilities from rural communities. Skills development initiatives in this project will focus in the following sectors: Agriculture, Tourism, Infrastructure, Construction, Transport, Business Process Outsourcing and Off Shoring.

#### Achievements

By 31 March 2008, a total of **7 400** learners were recruited and participated in various learning programmes within each provincial strategic projects. An amount of **R141 million** has been spent against the allocated **R886 million**.

#### Challenges

Challenges experienced included the setting up of project management structures, appointing providers and securing of workplaces for learners. Most of these problems have been resolved in five provinces and the Department is providing support to the other four provinces.

### 2. National Skills Fund listed

#### Project aim

The project aim was to list the National Skills Fund (NSF) as a Public Entity.

#### Specific objectives of the project

Short and medium term specific objectives were identified. During 2007/08 the short term objectives was the development and approval of a business case, and to implement transitional arrangements.

The medium term objectives during 2008/09, is to formalise the establishment of the NSF as a Public Entity (PE) and to implement its establishment.

#### Achievements

- A National Skills Fund Steering Committee (SC) was established and developed a first draft business case that was submitted to the Minister for consideration. The SC later withdrew the draft following the departmental workshop

## Programme Performance

### National Skills Fund

- Proposals around interim measures to deal with critical constraints around project management and financial management (including requirements to move to accrual accounting as prescribed by the Accountant-General) were developed and approved by the Director-General
- A second draft business case was developed and covers: Overall Governance (Accounting Authority, Advisory Board, Audit Committee, Internal Audit Function, Financial Management, etc), Service Delivery Model (functions to be performed on national-, provincial-and labour centre level)
- Proposed legislative amendments have been incorporated in the SDA Amendment Bill 2008.

### Challenges

- Shortcomings in the current Skills Development Act, 1998
- Inappropriate governance and accountability structure
- Insufficient delegation of authority to meet the demands of NSF business requirements
- Inappropriate business processes and service delivery model
- Ineffective financial controls due to the number of Department of Labour's components responsible for NSF activities.



*A total of 60 000 ABET unemployed learners were trained.*

## 3. Other National Skills Fund interventions

### 3.1. Critical skills support

- The NSF committed a total amount of **R316 million** to a total of **10 900** unemployed learners on various learnerships, apprenticeships and internships with 13 SETAs
- **Achievement:** A total of R84 million has been disbursed, and 4 769 learners are on training in various interventions
- The NSF is finalising proposals that will see a further R300 million committed to the training of

## Programme Performance

### National Skills Fund

artisans.

### 3.2. Bursaries

- For the 2007 academic year an amount of **R 48 million** has been allocated to the National Research Foundation (NRF) for the awarding of bursaries to under-graduate and post-graduate students in areas of scarce skills covering Honours to Post-doctoral studies. This amount benefited 1 120 learners at Honours, Masters, Doctoral and Post Doctoral level
- The National Student Financial Aid Scheme also benefited 726 learners at undergraduate level.

### 3.3. Workplace Skills Development Support Programme (WSDSP)

During 1 April 2007 to 31 March 2008 a total 2 368 new workers benefited from the WSDSP-training grants. From this figure, **87%** were Black and **45%** were women. Information on workers with disabilities is not indicated by the enterprises when submitting training claims.

Up to the end of the third quarter a total amount of **R 12,8 million** has been paid out to **46 SMEs** who conducted training and submitted claims.

### 3.4. Social Plan Technical Support Facility (SPTSF)

The allocation of R22 million was utilised to achieve the following:

- **100** future forums were established as a contribution to preventing job losses
- **74** turn-around strategies were established to prevent job losses in terms of the Social Plan
- Social plan awareness workshops were conducted and **12** articles were published in the Productivity SA magazine as part of the marketing campaign
- The following categories of workers were trained in various programmes; **1 811** small enterprise workers, **121** SDFs and **459** workers.

### 3.5. Discretionary and innovation projects

The Department has committed R74 million to eight discretionary projects. These include support for interns studying labour statistics at the ILO, support for the Monyetla BPO programme in partnership with the Department of Trade and Industry (DTI) and a partnership with the University of Fort Hare for the CA programme. Altogether 1 665 learners are benefiting from these projects.

## Section 3

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2008.

#### Audit Committee members and attendance

The Audit Committee consists of the members listed below and meets at least two times per annum as per its approved Audit Committee Charter. During the current year three meetings were held.

Member	Meetings attended
JMB Maswanganyi (Chairperson) (resigned 23 November 2007)	3
R Rhoda (resigned 27 July 2007)	2
N Mlamla	3
L van Heerden (resigned March 2008)	2
K Buthelezi (appointed 29 October 2007)	2

#### Audit Committee responsibility

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

The valuable contributions made by Mr. Maswanganyi, the Chairperson, Mr. Rhoda and Ms. van Heerden during the term they have been members of the Audit Committee are acknowledged.

#### Effectiveness of internal control

##### Department of Labour

The Audit Committee has taken note of the issue raised by the Auditor-General regarding the management and control of capital assets which lead to the qualified audit report.

The issues raised as matters of emphasis were also noted.

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

##### National Skills Fund

Regarding the NSF the major issues raised by the Auditor-General pertains to the valuation and completeness of the Commitments and Advances. This resulted in the qualified audit opinion of the Financial Statements of the NSF.

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

##### Sheltered Employment Factories (SEF)

Regarding the SEF the major issue raised by the Auditor-General pertains to the supply chain management processes, which resulted in irregular expenditure incurred amounting to R 9.5 million. This

resulted in a matter of emphasis reported by the Auditor-General.

Major improvements have been noted regarding previous issues raised such as the management of assets and inventories.

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

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

The Committee is satisfied with the content and quality of monthly and quarterly reports regarding the financial performance, prepared and issued by the Acting Accounting Officer and the Department during the year under review.

However, reports on performance information were not provided at the Audit Committee Meetings.

### **The effectiveness of Internal Audit**

The Committee took note of the Quality Assurance Review performed during the 2006/07 financial year and progress made during the 2007/08 financial year to achieve full compliance with the International Standards for the Professional Practice of Internal Auditing.

However the Committee is still concerned regarding the lack of capacity to perform Information Technology audits, and the lack of staff capacity.

### **Evaluation of Financial Statements**

The Audit Committee has

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

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



Mr. N Mlamla  
Acting Chairperson of the Audit Committee

Date: 31/03/2008



## Section 4

### Annual Financial Statements

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Department of Labour – Vote 16  
Annual Financial Statements for the year ended 31 March 2008

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## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT - ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 16 – DEPARTMENT OF LABOUR (DOL) FOR THE YEAR ENDED 31 MARCH 2008

### Introduction

1. I have audited the accompanying financial statements of the Department of Labour which comprise the appropriation statement, statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

### Responsibility of the accounting officer 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 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act No. 97 of 1998). 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
  - making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor-General

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 the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis of accounting

8. The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements.

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### Basis for qualified opinion

#### Capital assets

9. The department embarked on an extensive process to implement and maintain an asset register. However, the audit still revealed amongst others the following significant shortcomings in the management and control of these assets and the asset register.
- There were numerous assets with duplicate barcodes
  - A number of assets on the asset register were included at incorrect values.
  - The asset register was not adequately maintained in accordance with the requirements of National Treasury.
  - The reconciliation of the prior year balance (R123, 3 million – disclosure note 29) with the asset registers submitted for the period ending 31 March 2007 is still outstanding.

Due to the numerous discrepancies noted, we were not able to obtain adequate assurance relating to the valuation, existence and completeness of assets amounting to R106.3 million disclosed in note 30 to the financial statements, and the PPP assets amounting to R124,8 million as disclosed in note 28 to the financial statements. At the time of the report, the department was in the process of seeking guidance with regard to the accounting treatment of the PPP assets.

#### Qualified Opinion

10. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Department of Labour as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis of accounting as determined by the National Treasury as set out in note 1.1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

#### OTHER MATTERS

#### I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

##### Internal controls

11. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Fixed assets					✓

**Monitoring:** covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

##### Non-compliance with applicable legislation

12. PFMA/Regulations
- Treasury regulation 3.2.1 – An inadequate risk assessment for 2007/08 was performed, and a functional risk committee has not been implemented.
  - Section 36(5) of the PFMA – No written performance agreement for the DG was submitted.

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- National Treasury practice note SCM3 of 2004 part 6 -
  - Although a detailed implementation plan for Supply Chain Management has been developed, only acquisition and logistics management has been implemented.
  - De-briefing sessions were not held with unsuccessful bidders.
  - Demand performance management has not been implemented.
  - No needs assessment performed before each acquisition.
  - Performance of vendors not monitored.
  - Monthly reporting questionnaires to National Treasury not completed and submitted by the department on a monthly basis

**Departments own enabling legislation**

- The Skills Development Levies Act (SDL) (Act No. 9 of 1999) - operating procedures are not formally documented and therefore it is not clear which controls were implemented by DOL to administer the SDL Act.
- The Travel and Subsistence policy paragraph 6 – In some instances officials on extended duty did not complete their claim forms within the prescribed period, after returning to the office.

**Other applicable legislation**

- The Guideline for Employees Tax – IRP 10 Volume 41 – the IRP 5 reconciliation for the financial year ending 31 March 2007 was not performed and issued to SARS within the prescribed or extended period.

**Matters of governance**

13. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The Department of Labour has an audit committee.	✓	
• The audit committee operates in accordance with approved written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10/27.1.8	✓	
<b>Internal audit</b>		
• The Department of Labour has an internal audit function.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2/27.2	✓	
<b>Other matters of governance</b>		
The annual financial statements were submitted for auditing as per the legislated deadlines in terms of section 40 of the PFMA	✓	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		✓
The prior year's external audit recommendations have been substantially implemented.		✓
SCOPA resolutions have been substantially implemented.	✓	

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Report of the Auditor-General for the year ended 31 March 2008

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**OTHER REPORTING RESPONSIBILITIES**

**REPORT ON PERFORMANCE INFORMATION**

I have reviewed the performance information as set out on pages 9 to 48.

**Responsibility of the accounting officer for the performance information**

14. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

**Responsibility of the Auditor-General**

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

16. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

**Audit findings (performance information)**

17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

**Lack of systems for generating performance information**

18. For the information tested it was not possible to obtain sufficient appropriate audit evidence in relation to the performance information of the Department of Labour, as the system used for generating information was not adequate.

**Lack of sufficient appropriate audit evidence**

19. Inputs sent by Provincial offices to Head Office for consolidation could not be verified due to a lack of supporting documentation.

**APPRECIATION**

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

*Auditor - General*

Pretoria

31 July 2008



AUDITOR - GENERAL

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

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

The Department of Labour aims to support key government policies for the second decade of democracy by activities that will: contribute to the growth and development in the economy; increase the ability of the economy to create employment; address the needs of vulnerable and poor people in the second economy; promote social security to contribute to poverty alleviation; and address racial and gender inequality.

#### **Key policy developments and legislative changes**

The Department has prioritised the following areas over the MTEF period:

The Department is tasked with enhancing the employment services system to improve employment services for work-seekers and employers. The system will register work-seekers and job opportunities and provide: job matching services, career guidance and counselling services, information services, skills development referrals, and special services for designated groups. Phase 1 is being implemented at two labour centres. This involves the rollout of the registration of work-seekers, employers and placement opportunities, and the matching of work-seekers with job opportunities. A career guidance and counselling system will be developed and implemented by 2010/11.

Public comments on the draft employment services regulations (which compel public and private employers to register vacancies) were published in August 2007 and has been incorporated into the draft bill for promulgation in 2009/10.

New regulations for learnerships and SETA grants were published in 2006/07. A joint policy statement on the review of the national qualifications framework was tabled in August 2007 and released for implementation at the national skills conference in October 2007. The draft bill facilitates the formal establishment under the Department of Labour of the Quality Council for Trades and Occupations (QCTO) to co-exist on an equal footing with the Council for Higher Education and the Council for General and Further Education (known as Umalusi).

During 2008/09, the Skills Development Act, 1998 will be amended to provide for: the functioning of the National Skills Authority in relation to the National Skills Fund; amendments of SETA functions relating to quality assurance; establishment of the QCTO; legislating artisan development; and listing the NSF as a public entity.

The Decent Work Country Programme (DWCP) will be developed by April 2009 in collaboration with the International Labour Organisation (ILO) and in consultation with social partners, focusing mainly on employment creation. The four pillars of the Decent Work agenda (fundamental principles and rights at work and international labour standards; employment and income opportunities; social dialogue and tripartism; and social protection and social security) will be dealt with in the context of related government reform processes and the Department's constitutional obligations.

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Report of the Accounting Officer for the year ended 31 March 2008

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**Outcomes**

**Service Delivery**

From April to September 2007, 53 848 work-seekers were registered on the employment services system.

A total number of 5 387 work-seekers were matched against registered job opportunities of which 68 % were placed. The target was exceeded by 13 %. A total of 3 359 youth were assessed and placed in the National Youth Service programmes in the infrastructure sector, compared to a target of 5 000. Through collaboration with the Umsobomvu Youth Fund, 20 461 youth were trained against a target of 30 000 and 13 845 were placed in employment.

From April to September 2007, a total number of 96 509 workplaces were inspected against a target of 150 000, of which 75 % (72 164) complied with labour legislation requirements within 90 days. From a total number of 108 322 labour related complaints reported, 67 % were investigated and the cases were concluded within 90 days.

**Skills development**

A total number of 48 268 unemployed people were trained in social development skills programmes between April and September 2007, meeting the annual target, of which 30 212 (63 %) were placed in employment. R887 million was allocated to the provinces for strategic skills development interventions to benefit 26 000 learners over three years. During the six-month period to the end of September 2007, 38 956 workers and 19 182 unemployed learners were trained in learnerships, apprenticeships and other scarce and critical skills programmes.

**Labour market policy**

Private security sector minimum wages and contract cleaning and civil engineering sectoral determinations were reviewed and published. The hospitality sectoral determination was promulgated in May 2007 and was published.

In 2006/07, awareness raising activities for the Child Labour Programme of Action were conducted in all provinces. Pilot programmes were implemented to address the worst forms of child labour, including the commercial sexual exploitation of children, child trafficking, scavenging, children used by adults to commit crimes, and a planning tool for the delivery of water that aims to bring water points closer to users.

Research has been concluded on the reduction of working hours, bargaining councils, the Commission for Conciliation, Mediation and Arbitration (CCMA) and the labour market by the Human Sciences Research Council (HSRC), together with the Development Policy Research Unit of the University of Cape Town and the Sociology of Work Programme of the University of Witwatersrand.

**Expenditure trends**

Excluding direct charges against the National Revenue Fund, expenditure grew at an average annual rate of 20.5%, from R1.2 billion in 2004/05 to R2 billion in 2007/08. The significant growth in 2007/08 of 40.2 % is mainly due to a once-off allocation of R400 million to the Umsobomvu Youth Fund. Over the same period, compensation of employees increased from R371.5 million to R580.7 million, at an average annual rate of 16.1%.

Direct charges against the National Revenue Fund include skills development levies to the sectoral education and training authorities (SETAs) and the National Skills Fund, growing at an average annual rate of 10 % over the MTEF period. The charges are included under transfers and subsidies, which comprise on average 86.3 % of total departmental allocations. In the 2008/09 Budget, transfers and subsidies increased

### Department of Labour – Vote 16 Report of the Accounting Officer for the year ended 31 March 2008

with R1 billion in 2008/09, R1.4 billion in 2009/10 and R1.8 billion in 2010/11. R4.3 billion was allocated to skills development in respect of levies; R75 million to capacitate the inspectorate and the employment services system, and R48.6 million to the Commission for Conciliation, Mediation and Arbitration (CCMA).

Other additional allocations in the 2008 Budget include: R5 million for the business case to restructure the sheltered employment factories; R21 million for the decentralisation of functions to provinces; R53 million for increased capacity for the employment services system; R50.3 million for compensation of employees for implementing the 2007 resolution of the Public Service Co-ordinating Bargaining Council; R8.2 million for accommodation charges; and R45.6 million for personnel and non-personnel inflation adjustments.

For spending on infrastructure, the initial repair and maintenance programme (RAMP) contracts ran from 2002/03 to 2005/06 and follow-on RAMP contracts were initiated in 2005/06. The 2007/08 appropriation for RAMP contracts is R800 000 and over the MTEF period it is projected to increase to R850 000 (2008/09), R1 million (2009/10) and R33.3 million (2010/11). The sharp increase in 2010/11 caters for maintenance work on sheltered employment factories and labour centres and follow-on RAMP contracts at Laboria House (Head Office), INDLELA (Olifantsfontein) and the Concillium Building (Gauteng-North, Pretoria).

### **Reason for under-spending**

The Department of Labour has recorded expenditure to the value of R1 948 621 300.29 against its final allocation of R2 037 865 000.00. This calculates to an under spending of R89 243 699.71 or 4.38%.

In respect of current payments, the under-spending can mainly be attributed to unfilled vacancies and the concomitant under-spending on goods and services.

In respect of transfers and subsidies, the under-spending can mainly be attributed to the lesser than anticipated value of claims from the Compensation Fund in respect of work related injuries and diseases contracted by Public Service officials in the execution of their official duties.

## **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'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



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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.

**2.3 Inventories**

The total inventories on hand at year-end is R5 845 757.88.

**3. Capacity constraints**

Vacancies in the Department placed a strain on its capacity to effectively deliver its services.

**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 report to the Minister of Labour and separate Annual Reports and Financial Statements are published independently:

- Commission for Conciliation, Mediation and Arbitration (CCMA)
- Compensation Fund (CF)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa
- 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
- advise a party on the procedure to follow in respect of a dispute in terms of this Act

### Department of Labour – Vote 16 Report of the Accounting Officer for the year ended 31 March 2008

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- 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 or training relating to the primary objects of the LRA
- perform any other duties imposed, and exercise any other powers conferred on it by or in terms of the LRA and perform any other function entrusted to it by any other law.

### **Compensation Fund**

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

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

- occupational injuries
- diseases
- death of 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.

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### ***Productivity South Africa***

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

The functions of Productivity South Africa are to:

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

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

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

#### ***The SETAs are as follows:***

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

- develop sector skills plans within the framework of the National Skills Development Strategy
- implement sector skills plans through establishing learnerships
- approve workplace skills plans

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- allocate grants in the prescribed manner to employers, workers, and education and training providers
- monitor education and training in the sector
- promote learnerships by identifying workplaces for practical work experience and registering learnerships
- Section 3 and 4 of the Skills Development Levies Act (Act no. 9 of 1999), determines which employers are required to contribute levies. Based on the Skills Development Levy Database of the South African Revenue Service, there are employers who are required to contribute levies in terms of section 6 (2) of the Act, who might fail to pay such levies and therefore the income of the National Skills Fund and the SETAs for the reporting year, may be understated by an unknown amount.

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

The Unemployment Insurance Fund functions in terms of the Unemployment Insurance Act, 1966 (subsequently repealed by Unemployment Insurance Act no. 63 of 2001).

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

- Unemployment
- short-term sickness
- maternity
- death
- adoption of a child.

### **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 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.

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• **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 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.

## Other entities

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

Sheltered employment subsidises workshops for the blind and 12 work centres for people with disabilities.

### ***National Skills Fund (NSF)***

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

- A total of 20% of the skills development levies as 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 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 National Skills Fund is stipulated in the Skills Development Act, namely that the money in the NSF may be used only for the projects identified in the National Skills Development Strategy (NSDS) as national priorities or for such other projects related to the achievement of the purposes of the Act as the Director-General of the Department of Labour determines. Given the commitment of government to act in a more concerted fashion, the flexibility given to the Director-General in the latter part of aforementioned clause of the Act, allows the Department to take into account other government policy/priority imperatives in the allocation of these funds. These might include the HRD Strategy; Growth, Employment and Investment strategies and Social Development priorities.

## **6. Organisations to whom transfer payments have been made –**

(See Annexure 1 of the Financial Statements)

## **7. Public/private partnerships (PPP)**

See disclosure note 28 to the financial statements for details in this regard.

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. However, with the advent of the adoption of GRAP Standards, the Auditor-General is of the view that the agreement constitutes a finance lease, unlike the operational accounting treatment of the Department that was prevalent since inception.

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The Office of the Accountant-General (OAG) informed the Department to obtain a technical opinion from an independent service provider on the desired accounting treatment of the IT PPP, which was duly executed and the finding was shared with the OAG on 25 June 2008. Of note would be that the opinion obtained suggests that the assets under the Agreement should be treated as an intangible asset, based on the fact that an IT Enablement was procured and that the assets that will eventually revert back to the Department will not necessarily be the same as the ones currently in use. The OAG was to forward the opinion to the Technical Committee of the Auditor-General for their assessment and final recommendation.

In the absence of a clear directive from the OAG, the Department was uncertain as to how the Agreement should be disclosed in its Annual Financial Statements and followed the middle route of disclosing it as part finance and part operation of nature. The Auditor-General viewed it to be a finance lease and consequently qualified the Department. Of note would be that the accounting treatment of the PPP Agreement is viewed to be a material amendment to the Agreement, and such material amendments must be approved by the National Treasury as contemplated in TR 16. It is also our view that national departments cannot unilaterally decide on how to account for expenditure defrayed, as this has always been prescribed by the National Treasury – hence approval and further guidance on the way forward is awaited by the OAG.

## 8. Corporate governance arrangements

### Governance structures and responsibilities

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

- The Minister is the Executive Authority for the Department
- In terms of the Public Finance Management Act, the Head of the Department (Director-General) is the Accounting Officer for the Department
- The Accounting Officer is individually and personally accountable for achieving good value for money, safeguarding and maintenance of the assets, regularity and propriety in the administration of the Department. Programme performance as well as asset management information is disclosed in section B of the Annual Report
- Management Committee – the Committee consists of the Minister, the Director-General, the Deputy Directors-General including the Commissioners of the two Funds and the Chief Financial Officer. The Committee deals with strategic and administration matters of the Department
- The Budget Advisory Committee – To determine the total budget for the Department, allocation of funds to programmes and provinces, monitoring and reporting on the expenditure levels of Programmes
- Departmental Executive Committee (DEXCOM) – the Committee consists of the Director-General, the Deputy Directors-General, all Senior Executive Managers, the Chief Information Officer, the Chief Financial Officer, the Commissioners of the two Funds and the Provincial Executive Managers
- Audit Committees – these function at the Department, the Compensation Fund and Unemployment Insurance Fund levels.

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

Structure	Act
UIF Board	Unemployment Insurance Act, 2001
Compensation Board	Compensation for Occupational Injuries and Diseases Act, 1993
National Skills Authority (NSA)	Skills Development Act, 1998
Commission for Employment Equity (CEE)	Employment Equity Act, 1998
Employment Conditions Commission (ECC)	Basic Conditions of Employment Act, 1997
SETAs	Skills Development Act, 1998
Productivity SA (formerly the NPI)	This is a section 21 Company (Incorporated association without gain), established under the Companies Act, 1973)
National Economic Development and Labour Council (NEDLAC)	NEDLAC Act, 1994
Advisory Council for Occupational Health and Safety	Occupational Health and Safety Act, 1993

The Department's Strategic Plan sets out the objectives and actions that must be taken to ensure the achievement of the Government's labour market objectives. These objectives and actions then translate into the roles and responsibilities of the Department in achievement of the strategic plan. The ten strategic objectives for 2008 to 2011 are:

1. Employment creation
2. Skills development
3. Protection of vulnerable workers
4. Equity in the labour market
5. Strengthening multilateral and bilateral relations
6. Strengthening the capacity of labour market institutions
7. Strengthening social protection
8. Sound labour relations
9. Monitoring the impact of legislation on broad government policy
10. Strengthening the Department's institutional capacity to improve service delivery.

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

Organisational structures within the Department's Programmes support the achievement of Programmes' objectives, which are in alignment with the Department's objectives.

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

### **Governance Committees**

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



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### **Audit Committee**

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 and Compensation Fund. The chairpersons of the two audit committees of the two Funds are members of the Audit Committee of the Department. The Audit Committee of the Department is also responsible for the oversight over the National Skills Fund and Sheltered Employment Factories.

#### **The Department's Audit Committee consisted of:**

- Mr. JMB Maswanganyi, Chairperson, Independent Non-Executive (Resigned November 2007)
- Ms. L Van Heerden, Independent Non-executive member (Resigned March 2008)
- Mr. N Mlamla, Chairperson, UIF Audit Committee, Independent Non-Executive (Acting Chairperson)
- Mr. K Buthelezi, Chairperson, CF Audit Committee, Independent Non-Executive (Appointed October 2007)
- Mr. R Rhoda, Chairperson, CF Audit Committee, Independent Non-Executive (resigned July 2007).

#### **The following people are permanent invitees:**

- Director-General
- Deputy Director-General of Corporate Services
- Deputy Director-General of Service Delivery
- Deputy Director-General of Labour Policy and Labour Market Programmes
- Deputy Director-General of Employment and Skills Development Services
- Chief Financial Officer
- Unemployment Insurance Commissioner
- Compensation Commissioner
- Senior Executive Manager of National Skills Fund
- CEO of the Sheltered Employment Factories
- Head of Internal Audit
- Representatives of the Auditor-General.

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

### **Risk management**

Risk management at the Department includes ensuring that fraud risk management systems and processes are in place. The following process has been completed:

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

### **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.

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

The Directorate of Internal Audit provides additional value added assistance to management, by facilitating control self assessment workshops and participating in training courses within the Department, which focus on financial and administrative controls, and fraud, corruption and maladministration prevention.

### **Fraud Prevention Plan**

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

The UIF has implemented a Fraud Hotline. However, this service has not been implemented entirely. In line with the Department of Public Service and Administration (DPSA) and the Public Service Commission (PSC), the Department used the Fraud Hotline administered by the PSC.

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

None

### **10. New/proposed activities.**

None

### **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 centers, visiting points and Sheltered Employment factories 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 the National Treasury.

#### **11.3 The Department implemented the Integrated Asset Management Solution (IAMS) asset register in accordance with the National Treasury Practice Note and captured all the financial values as per Practice Note 4 of 2005/06 (all major assets) on the IAMS asset register and is in the process to finalise the following milestones within the 2008/09 financial year:**

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

**12. Events after the reporting date.**

None

**13. Performance information.**

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

- Information on the QMR is derived from the annual work-plans which state the 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 a Branch Report
- 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 Annual Review and Planning Workshop (Executive Managers up to the level of the Minister) attend the evaluation discussion of an entire year’s performance as well as for the coming period. The outcome of the Annual Review Workshop is utilised for reporting information in the annual report.

**14. SCOPA resolutions.**

Reference to previous audit report and SCOPA resolutions	
Subject	Findings / progress
<b>Lack of capacity</b>	<p>The vacancy rate in the inspectorate division as at the end of November 2007 stood at 136 (including 10 Assistant Managers). This has dropped compared to 400 at the end of March 2007 and 256 at the end of July 2007.</p> <p>The capacity of inspectors to reach more workplaces is increasing annually when comparing the current reach of 96 509 workplaces inspected with a compliance level of over 70% between April and September 2007 compared to 180 767 workplaces for the whole year in 2006/07.</p> <p>This is achieved by Inspectors who are conducting proactive and reactive inspections including occupational health and safety in the workplaces.</p> <p>A total number of 5 246 blitz inspections were conducted targeting employers in high risk industries. The breakdown is as follows: - 1 415 in the construction sector, 2 199 in the iron and steel sector and 1 632 in the food and beverages sector.</p>

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Reference to previous audit report and SCOPA resolutions	
Subject	Findings / progress
<p><b>Governance arrangements (compliance issues and inadequate/lack of policies)</b></p> <p>(a) The Committee noted that the performance information reflected in the Annual Report disagree with the performance in the Estimates of National Expenditure (ENE) for 2005/06 and the objectives as per the approved strategic plan.</p> <p>(b) The Committee recommends that the Accounting Officer ensures the objectives as set out in the ENE 2005 and the strategic plan be included in the work-plan of the Department so as to ensure reporting according to section 40 (3)(a) of the PFMA.</p>	<p>The objectives as set out in the ENE and the strategic plan have been aligned with the Integrated Work-Plan of the Department and are reported on, on a quarterly basis in line with section 40 (3) (a) of the PFMA. All these reports have been submitted to the Executive Authority on a quarterly basis.</p> <p>The Department introduced a project management approach to implement the integrated work-plan. Fourteen projects emanating from the integrated work-plan 2006/07 were implemented.</p> <p>As part of this framework, monthly and quarterly reports are compiled and collated at a central office and they inform the final annual report.</p>
<p><b>INDLELA</b></p> <p>(a) Immediate action is taken and properly implemented to optimise utilisation of available resources at INDLELA.</p> <p>(b) The Director-General provides SCOPA with action plans for INDLELA which is in line with its mandate.</p>	<p>INDLELA offers trade tests for a number of artisan trades both for contracted apprentices and for people who qualify for trade tests through work place experience of recognition of prior learning.</p> <p>Since 2003 the number of people who have been tested at INDLELA have progressively increased as follows:</p> <p>2003 – 6 343 people tested                  2004 – 7 004 people tested = 10 % increase                  2005 – 8 865 people tested = 26% % increase                  2006 – 9 041 people tested = 2 % increase</p> <p>In addition to the above improved use of resources at INDLELA, certain sections of INDLELA were also converted to become actual specialised technical training facilities, a new focus area for INDLELA. However the training that is being implemented is in support of artisan development in South Africa as that remains the primary area of strength for INDLELA.</p> <p>This specialised technical training has numerous distinct elements to it:</p> <ul style="list-style-type: none"> <li>● Training of Department’s staff that assist in establishing skills development projects in the provinces for artisan development</li> <li>● Training of artisan trainers, facilitators and mentors</li> <li>● Training qualified artisans to become “master” artisans that allow them to grow into technicians and engineers</li> <li>● Training “entrepreneur” artisans that allow people to become artisans and at the same time develop the necessary skills to establish their own business ventures.</li> </ul> <p>Parallel to implementing the above steps to improve the utilisation of current resources at INDLELA, the Department also formed a Steering Committee to review the mandate of INDLELA and develop a strategy that will allow INDLELA to support the national imperatives for artisan development as articulated by both ASGI-SA and JIPSA.</p> <p>This Strategy was completed and approved for implementation by the Director-General on 17 August 2007.</p> <p>To give a formal legal mandate for implementation of the “INDLELA re-positioning strategy”, the functions of INDLELA as a national institute for artisan development have been included as part of a new chapter in the Draft Skills Development Amendment Bill.</p> <p>The Bill, once approved and promulgated, will position INDLELA as the national artisan development institute to manage artisan development across the entire country through a decentralised model utilising the Department’s broad network of provincial offices and labour centres.</p>

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Report of the Accounting Officer for the year ended 31 March 2008

Reference to previous audit report and SCOPA resolutions	
Subject	Findings / progress
<p><b>System related matters (inadequate financial reporting systems, inadequate business processes and inadequate non-financial reporting systems)</b></p> <p>(a) A correct and complete asset register, which is in line with the requirements of the asset management guide, is maintained, including assets acquired through the PPP contract.</p> <p>(b) Head Office also maintains a complete consolidated asset register of the whole Department.</p> <p>(c) Monthly reconciliations regarding S &amp; T between BAS and Persal is completed and reviewed and any differences is followed up immediately.</p>	<p>Asset registers are in the process to be updated in order to meet the minimum requirements as set out by the National Treasury. An interim asset management team has been put in place as from October 2007 to undertake a national asset verification and to update the systems.</p> <p>In light of (a) above, Head Office consolidates an asset register for the entire Department.</p> <p>The BAS/Persal reconciliation was performed. There is a dedicated team of officials who do the reconciliation monthly. The focus is on the two main components of the reconciliation, travel and subsistence and the reconciliation of personnel expenditure. The reconciliation has been performed.</p>
<p><b>Internal control weaknesses</b></p> <p>(a) A debt management policy was approved and implemented.</p> <p>(b) Management takes responsibility to ensure compliance with policies and procedures and ensure the optimal utilisation of subsidised motor vehicles</p> <p>(c) Treasury and Public Service regulations be strictly complied with.</p>	<p>A Debt Management Policy has been approved and is in place.</p> <p>Control measures have been put in place for the management of subsidised vehicles. Log sheets are being controlled continuously by the responsible managers and provincial executive managers receive reports on the utilisation rate. There has been an improvement in the utilisation rate of subsidized vehicles. A total number of 34 vehicles have been withdrawn from officials under-utilising the vehicles and not adhering to prescripts.</p> <p>The Department takes note of the recommendation made by the Committee regarding the National Treasury and Public Service Regulations, and will ensure that there is strict adherence to these regulations through the use of the financial procedure manuals and departmental policies.</p>
<p><b>SETAs</b></p> <p>(a) The Committee noted various weaknesses and the lack of uniformity in the governance of the SETAs during the various SETA hearings held by the Committee specifically with regard to the number of forensic investigations conducted.</p> <p>(b) The Department of Labour implements a system to track and monitor all forensic/special investigations at all SETAs.</p> <p>(c) The outcome of the investigations and the remedial action taken is included in the annual reports of the various SETAs for the 2006/07 year.</p> <p>(d) Uniform systems, policies, governance and procedures are implemented as far as possible.</p>	<p>This has been implemented using a manual based recording system. The Department's staff that work directly with SETAs collect information on investigations on a regular basis and a schedule of these investigations is maintained.</p> <p>The results of the investigations for the 2005/06 financial year and the subsequent outcomes were recorded in the 2006/07 Annual Reports of the SETAs.</p> <p>The Department has developed and is in the process of implementing an ICT based standard procedure for managing SETA Governance and Performance Management as an integral part of the Employment Services System. This system is a case management system that will ensure monitoring and tracking progress on all SETA based investigations.</p> <p>In addition, the Department has developed a draft generic model constitution to be used by all SETAs as part of the Review of the SETA Landscape that is to be implemented by 31 March 2010. This forms part of the SETA Review and re-establishment process as required by legislation.</p>

## 15. Other.

### Completeness of Revenue

Skills Development Levies are collected by the South African Revenue Service (SARS) in terms of section 6 (5) of the Skills Development Levies Act, No 9 of 1999 (SDL Act). Revenue is recognised in the Income Statement of the Department of Labour when money is paid into the National Revenue Fund and confirmed by SARS. The recognition of revenue on the Statement of Financial Performance of the Department is based on the fact that economic benefits will flow to the Department by means of services rendered by the NSF and SETAs through skills development initiatives.

It is the responsibility of the Director-General to, within 14 days after receipt of a notice from the Commissioner of SARS, in terms of section 6 (5) of the Skills Development Levies Act, to allocate 20 % of the levies, interest and penalties collected, to the National Skills Fund and 80 % to the SETAs.

The Department is responsible for the first high-level verification to detect any material occurrences of levy payments variances, which must be communicated to the SETAs/NSF and SARS for further investigation and rectification.

Funds incorrectly received cannot be held back by the Department due to the National Revenue Fund's operating principles and practices and the money will be reversed by SARS at a later stage.

It is imperative for SETAs/NSF to have similar filters or control measures in place to enable them to inform the Department of any material deviations in levy collection for the necessary follow-up with SARS.

The Department of Labour has received a draft Service Level Agreement (SLA) from SARS and is currently busy with proposed amendments to ensure that both the Unemployment Insurance and Skills Development Levy issues are properly dealt with and reflected in the SLA. The Department of Labour's team has also requested support from legal services to ensure that the legislative and legal aspects are sound.

The issue regarding amounts payable to SARS relating to the cost incurred during the collection of the skills development levies will form part of the SLA.

It is the Department's responsibility to inform all relevant stakeholders regarding allocations.

It is SETAs responsibility to raise provisions for over- or under-allocations to ensure accuracy of disclosure of revenue at any particular point in time.

### Approval

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



Mr. Les Kettleidas  
Acting Director-General of Labour

Date: 30 May 2008

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Appropriation Statement for the year ended 31 March 2008

Appropriation per programme									
	2007/08							2006/07	
	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	358 200	-	(708)	357 492	326 954	30 538	91.5	329 556	318 010
Transfers and subsidies	-	-	708	708	708	-	100.0	1 340	1 211
Payments for capital assets	7 453	(5 645)	-	1 808	722	1 086	39.9	5 367	5 049
<b>2 Service Delivery</b>									
Current payments	650 527	-	(428)	650 099	645 909	4 190	99.4	580 057	579 485
Transfers and subsidies	1 625	-	428	2 053	1 970	83	96.0	1 437	1 295
Payments for capital assets	13 257	-	-	13 257	8 874	4 383	66.9	13 943	13 847
<b>3 Employment and Skills Development Services</b>									
Current payments	93 234	-	(1 225)	92 009	65 466	26 543	71.2	65 708	55 980
Transfers and subsidies	471 436	-	1 225	472 661	472 661	-	100.0	78 887	74 891
Payments for capital assets	10 369	-	-	10 369	1 992	8 377	19.2	8 926	8 148
<b>4 Labour Policy and Labour Market Programmes</b>									
Current payments	79 504	-	(82)	79 422	70 253	9 169	88.5	72 378	62 550
Transfers and subsidies	341 598	5 645	82	347 325	347 122	203	99.9	325 960	325 941
Payments for capital assets	661	-	-	661	92	569	13.9	435	105
<b>5 Social Insurance</b>									
Transfers and subsidies	10 001	-	-	10 001	5 898	4 103	59.0	9 501	7 028
<b>Subtotal</b>	<b>2 037 865</b>	<b>-</b>	<b>-</b>	<b>2 037 865</b>	<b>1 948 621</b>	<b>89 244</b>	<b>95.6</b>	<b>1 493 495</b>	<b>1 453 540</b>
<b>Statutory Appropriation</b>									
Transfers and subsidies	6 284 306	-	-	6 284 306	6 284 306	-	100.0	5 328 427	5 328 427
<b>Total</b>	<b>8 322 171</b>	<b>-</b>	<b>-</b>	<b>8 322 171</b>	<b>8 232 927</b>	<b>89 244</b>	<b>98.9</b>	<b>6 821 922</b>	<b>6 781 967</b>
<b>Reconciliation with Statement of Financial Performance</b>									
Add: Prior year unauthorised expenditure approved with funding				1 260	-			-	-
Departmental revenue				8 448	-			6 083	-
<b>Actual amounts per Statement of Financial Performance (Total revenue)</b>				<b>8 331 879</b>				<b>6 828 005</b>	
Add: Local and foreign aid assistance					-				914
Prior year unauthorised expenditure approved					1 260				-
<b>Actual amounts per Statement of Financial Performance (Total expenditure)</b>					<b>8 234 187</b>				<b>6 782 881</b>

Department of Labour – Vote 16  
Appropriation Statement for the year ended 31 March 2008

Appropriation per economic classification									
	2007/08							2006/07	
	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	580 694	-	(18 095)	562 599	543 826	18 773	96.7	486 511	477 064
Goods and services	600 771	-	13 338	614 109	562 442	51 667	91.6	560 314	538 087
Financial transactions in assets and liabilities	-	-	2 314	2 314	2 314	-	100.0	874	874
<b>Transfers and subsidies</b>									
Provinces and municipalities	-	-	-	-	-	-	0.0	606	284
Departmental agencies and accounts	369 705	5 645	-	375 350	371 247	4 103	98.9	354 948	348 595
Foreign governments and international organisations	7 620	-	-	7 620	7 416	204	97.3	6 900	6 882
Public corporations and private enterprises	400 000	-	-	400 000	400 000	-	100.0	-	-
Non-profit institutions	46 433	-	-	46 433	46 361	72	99.8	52 723	52 658
Households	902	-	2 443	3 345	3 335	10	99.7	1 948	1 947
<b>Payments for capital assets</b>									
Buildings and other fixed structures	14 389	-	(746)	13 643	6 260	7 383	45.9	15 363	15 362
Machinery and equipment	17 268	(5 645)	746	12 369	5 420	6 949	43.8	13 196	11 787
Software and other intangible assets	83	-	-	83	-	83	0.0	112	-
<b>Total</b>	<b>2 037 865</b>	<b>-</b>	<b>-</b>	<b>2 037 865</b>	<b>1 948 621</b>	<b>89 244</b>	<b>95.6</b>	<b>1 493 495</b>	<b>1 453 540</b>

Statutory appropriation									
Details of direct changes against the National Revenue Fund	2007/08							2006/07	
	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)	5 027 445	-	-	5 027 445	5 027 445	-	100.0	4 262 741	4 262 741
National Skills Fund	1 256 861	-	-	1 256 861	1 256 861	-	100.0	1 065 686	1 065 686
<b>Total</b>	<b>6 284 306</b>	<b>-</b>	<b>-</b>	<b>6 284 306</b>	<b>6 284 306</b>	<b>-</b>	<b>100.0</b>	<b>5 328 427</b>	<b>5 328 427</b>



Department of Labour – Vote 16  
Detail per Programme 1 – Administration for the year ended 31 March 2008

Programme per subprogramme	2007/08							2006/07	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Minister</b>									
Current payments	938	-	170	1 108	1 108	-	100.0	925	925
<b>1.2 Management</b>									
Current payments	23 104	-	37	23 141	23 202	(61)	100.3	15 298	15 297
Transfers and subsidies	-	-	-	-	-	-	0.0	7	5
Payments for capital assets	5 289	(4 900)	-	389	389	-	100.0	405	384
<b>1.3 Corporate Services</b>									
Current payments	179 294	-	(7 082)	172 212	146 847	25 365	85.3	234 804	223 575
Transfers and subsidies	-	-	549	549	549	-	100.0	1 333	1 206
Payments for capital assets	1 356	-	-	1 356	285	1 071	21.0	2 241	1 944
<b>1.4 Financial Management</b>									
Current payments	65 924	-	3 853	69 777	69 066	711	99.0	-	-
Transfers and subsidies	-	-	159	159	159	-	100.0	-	-
Payments for capital assets	808	(745)	-	63	48	15	76.2	-	-
<b>1.5 Capital Works</b>									
Payments for capital assets	-	-	-	-	-	-	0.0	2 721	2 721
<b>1.6 Property Management</b>									
Current payments	88 940	-	-	88 940	84 417	4 523	94.9	77 655	77 339
<b>1.7 Financial Transactions in Assets and Liabilities</b>									
Current payments	-	-	2 314	2 314	2 314	-	100.0	874	874
<b>Total</b>	<b>365 653</b>	<b>(5 645)</b>	<b>-</b>	<b>360 008</b>	<b>328 384</b>	<b>31 624</b>	<b>91.2</b>	<b>336 263</b>	<b>324 270</b>

Department of Labour – Vote 16  
Detail per Programme 1 – Administration for the year ended 31 March 2008

Economic classification	2007/08							2006/07	
	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	61 509	-	3 145	64 654	64 441	213	99.7	56 465	55 186
Goods and services	296 691	-	(6 167)	290 524	260 199	30 325	89.6	272 217	261 950
Financial transactions in assets and liabilities	-	-	2 314	2 314	2 314	-	100.0	874	874
<b>Transfers and subsidies</b>									
Provinces and municipalities	-	-	-	-	-	-	0.0	168	39
Households	-	-	708	708	708	-	100.0	1 172	1 172
<b>Payments for capital assets</b>									
Buildings and other fixed structures	-	-	-	-	-	-	0.0	2 721	2 721
Machinery and equipment	7 453	(5 645)	-	1 808	722	1 086	39.9	2 534	2 328
Software and other intangible assets	-	-	-	-	-	-	0.0	112	-
<b>Total</b>	<b>365 653</b>	<b>(5 645)</b>	<b>-</b>	<b>360 008</b>	<b>328 384</b>	<b>31 624</b>	<b>91.2</b>	<b>336 263</b>	<b>324 270</b>

Department of Labour – Vote 16  
Detail per Programme 2 – Service Delivery for the year ended 31 March 2008

Programme per subprogramme	2007/08							2006/07	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Management Support Services</b>									
Current payments	225 989	-	15 080	241 069	239 146	1 923	99.2	200 747	200 693
Transfers and subsidies	151	-	190	341	341	-	100.0	210	190
Payments for capital assets	12 579	-	44	12 623	8 240	4 383	65.3	12 865	12 865
<b>2.2 Beneficiary Services</b>									
Current payments	1	-	-	1	-	1	0.0	1	-
<b>2.3 Employment Services</b>									
Current payments	130 684	-	(1 050)	129 634	128 501	1 133	99.1	124 986	124 986
Transfers and subsidies	814	-	53	867	794	73	91.6	667	583
Payments for capital assets	297	-	(27)	270	270	-	100.0	435	435
<b>2.4 Inspection and Enforcement Services</b>									
Current payments	253 678	-	(11 243)	242 435	242 435	-	100.0	226 624	226 123
Transfers and subsidies	650	-	185	835	835	-	100.0	426	389
Payments for capital assets	155	-	18	173	173	-	100.0	372	321
<b>2.5 Labour Market Information and Statistics</b>									
Current payments	21 242	-	(740)	20 502	19 813	689	96.6	17 513	17 513
Transfers and subsidies	10	-	-	10	-	10	0.0	8	7
Payments for capital assets	134	-	(77)	57	57	-	100.0	194	194
<b>2.6 Occupational Health and Safety</b>									
Current payments	18 933	-	(2 475)	16 458	16 014	444	97.3	10 186	10 170
Transfers and subsidies	-	-	-	-	-	-	0.0	126	126
Payments for capital assets	92	-	42	134	134	-	100.0	77	32
<b>Total</b>	<b>665 409</b>	<b>-</b>	<b>-</b>	<b>665 409</b>	<b>656 753</b>	<b>8 656</b>	<b>98.7</b>	<b>595 437</b>	<b>594 627</b>

Department of Labour – Vote 16  
Detail per Programme 2 – Service Delivery for the year ended 31 March 2008

Economic classification	2007/08							2006/07	
	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	427 772	-	(19 933)	407 839	403 649	4 190	99.0	356 183	356 149
Goods and services	222 755	-	19 505	242 260	242 260	-	100.0	223 874	223 336
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	-	-	-	-	-	-	0.0	273	197
Foreign governments and international organisations	140	-	-	140	139	1	99.3	-	-
Non-profit institutions	583	-	-	583	511	72	87.7	556	491
Households	902	-	428	1 330	1 320	10	99.2	608	607
<b>Payments for capital assets</b>									
Buildings and other fixed structures	11 389	-	(746)	10 643	6 260	4 383	58.8	9 324	9 323
Machinery and equipment	1 868	-	746	2 614	2 614	-	100.0	4 619	4 524
<b>Total</b>	<b>665 409</b>	<b>-</b>	<b>-</b>	<b>665 409</b>	<b>656 753</b>	<b>8 656</b>	<b>98.7</b>	<b>595 437</b>	<b>594 627</b>

Department of Labour – Vote 16  
Detail per Programme 3 – Employment and Skills Development Services and Human  
Resource Management for the year ended 31 March 2008

	Programme per subprogramme	2007/08						2006/07		
		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</b>	<b>Skills Development Policy Advice and Planning</b>									
	Current payments	-	-	-	-	-	-	0.0	-	-
<b>3.2</b>	<b>NSF Admin and Transfers</b>									
	Current payments	1 408	-	26	1 434	1 434	-	100.0	1 248	1 328
	Transfers and subsidies	44 799	-	-	44 799	44 799	-	100.0	42 701	42 666
	Payments for capital assets	230	-	(67)	163	29	134	17.8	110	54
<b>3.3</b>	<b>Seta Coordination</b>									
	Current payments	25 239	-	(51)	25 188	15 858	9 330	63.0	14 521	15 302
	Transfers and subsidies	-	-	708	708	708	-	100.0	46	6
	Payments for capital assets	163	-	-	163	159	4	97.5	108	-
<b>3.4</b>	<b>INDLELA</b>									
	Current payments	43 531	-	(1 225)	42 306	37 022	5 284	87.5	36 068	32 078
	Transfers and subsidies	-	-	517	517	517	-	100.0	77	64
	Payments for capital assets	9 850	-	-	9 850	1 611	8 239	16.4	8 588	8 031
<b>3.5</b>	<b>Training of staff</b>									
	Current payments	1 866	-	25	1 891	1 891	-	100.0	1 777	1 217
<b>3.6</b>	<b>Programme Management Support</b>									
	Current payments	5 711	-	-	5 711	4 672	1 039	81.8	6 416	3 780
	Transfers and subsidies	-	-	-	-	-	-	0.0	4 035	126
	Payments for capital assets	126	-	25	151	151	-	100.0	106	49
<b>3.7</b>	<b>NSA Secretariat</b>									
	Current payments	5 479	-	-	5 479	3 791	1 688	69.2	5 678	2 275
	Transfers and subsidies	-	-	-	-	-	-	0.0	-	1
	Payments for capital assets	-	-	42	42	42	-	100.0	14	14
<b>3.8</b>	<b>Quality Development and Promotion</b>									
	Current payments	10 000	-	-	10 000	798	9 202	8.0	-	-
<b>3.9</b>	<b>Productivity SA</b>									
	Transfers and subsidies	26 637	-	-	26 637	26 637	-	100.0	32 028	32 028
<b>3.10</b>	<b>Umsobomvu Youth Fund</b>									
	Transfers and subsidies	400 000	-	-	400 000	400 000	-	100.0	-	-
	<b>Total</b>	575 039	-	-	575 039	540 119	34 920	93.9	153 521	139 019

Department of Labour – Vote 16  
 Detail per Programme 3 – Employment and Skills Development Services and Human  
 Resource Management for the year ended 31 March 2008

Economic classification	2007/08							2006/07	
	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	53 641	-	(1 225)	52 416	43 612	8 804	83.2	44 733	38 706
Goods and services	39 593	-	-	39 593	21 854	17 739	55.2	20 975	17 274
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	-	-	-	-	-	-	0.0	145	29
Departmental agencies and accounts	71 436	-	-	71 436	71 436	-	100.0	78 574	74 694
Public corporations and private enterprises	400 000	-	-	400 000	400 000	-	100.0	-	-
Households	-	-	1 225	1 225	1 225	-	100.0	168	168
<b>Payments for capital assets</b>									
Buildings and other fixed structures	3 000	-	-	3 000	-	3 000	0.0	3 318	3 318
Machinery and equipment	7 369	-	-	7 369	1 992	5 377	27.0	5 608	4 830
<b>Total</b>	<b>575 039</b>	<b>-</b>	<b>-</b>	<b>575 039</b>	<b>540 119</b>	<b>34 920</b>	<b>93.9</b>	<b>153 521</b>	<b>139 019</b>

Department of Labour – Vote 16  
Detail per Programme 4 – Labour Policy and Labour Market Programme  
for the year ended 31 March 2008

	Programme per subprogramme	2007/08							2006/07	
		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</b>	<b>Programme Management Unit</b>									
	Current payments	9 330	-	(641)	8 689	7 161	1 528	82.4	7 865	7 210
	Transfers and subsidies	-	-	82	82	82	-	100.0	22	3
	Payments for capital assets	77	-	-	77	63	14	81.8	148	36
<b>4.2</b>	<b>Strengthen Civil Society Fund</b>									
	Transfers and subsidies	9 919	-	-	9 919	9 919	-	100.0	9 447	9 447
<b>4.3</b>	<b>Collective Bargaining</b>									
	Current payments	9 079	-	559	9 638	9 005	633	93.4	7 997	7 813
	Transfers and subsidies	-	-	-	-	-	-	0.0	4	4
	Payments for capital assets	-	-	-	-	-	-	0.0	2	-
<b>4.4</b>	<b>Employment Equity and Standards</b>									
	Current payments	25 624	-	-	25 624	23 370	2 254	91.2	29 132	23 934
	Transfers and subsidies	-	-	-	-	-	-	0.0	5	5
	Payments for capital assets	291	-	-	291	-	291	0.0	-	-
<b>4.5</b>	<b>Commission for Conciliation, Mediation and Arbitration</b>									
	Transfers and subsidies	265 001	5 645	-	270 646	270 646	-	100.0	244 714	244 714
<b>4.6</b>	<b>Research, Policy and Planning</b>									
	Current payments	17 457	-	-	17 457	15 003	2 454	85.9	14 499	10 310
	Transfers and subsidies	-	-	-	-	-	-	0.0	1	1
	Payments for capital assets	60	-	-	60	18	42	30.0	50	-
<b>4.7</b>	<b>Labour Market Information and Labour Council</b>									
	Current payments	4 710	-	-	4 710	3 918	792	83.2	3 743	2 997
	Transfers and subsidies	-	-	-	-	-	-	0.0	2	2
	Payments for capital assets	70	-	-	70	11	59	15.7	73	69
<b>4.8</b>	<b>International Labour Matters</b>									
	Current payments	10 782	-	-	10 782	9 733	1 049	90.3	7 005	8 259
	Transfers and subsidies	7 480	-	-	7 480	7 277	203	97.3	6 885	6 885
	Payments for capital assets	163	-	-	163	-	163	0.0	162	-
<b>4.9</b>	<b>National Economical Development and Labour Council (NEDLAC)</b>									
	Transfers and subsidies	13 348	-	-	13 348	13 348	-	100.0	12 712	12 712
<b>4.10</b>	<b>Sheltered Employment Factories</b>									
	Current payments	2 522	-	-	2 522	2 063	459	81.8	2 137	2 027
	Transfers and subsidies	45 850	-	-	45 850	45 850	-	100.0	52 168	52 168
	<b>Total</b>	<b>421 763</b>	<b>5 645</b>	<b>-</b>	<b>427 408</b>	<b>417 467</b>	<b>9 941</b>	<b>97.7</b>	<b>398 773</b>	<b>388 596</b>

Department of Labour – Vote 16  
Detail per Programme 4 – Labour Policy and Labour Market Programme  
for the year ended 31 March 2008

Economic classification	2007/08							2006/07	
	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	37 772	-	(82)	37 690	32 124	5 566	85.2	29 130	27 023
Goods and services	41 732	-	-	41 732	38 129	3 603	91.4	43 248	35 527
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	-	-	-	-	-	-	0.0	20	19
Departmental agencies and accounts	288 268	5 645	-	293 913	293 913	-	100.0	266 873	266 873
Foreign governments and international organisations	7 480	-	-	7 480	7 277	203	97.3	6 900	6 882
Non-profit institutions	45 850	-	-	45 850	45 850	-	100.0	52 167	52 167
Households	-	-	82	82	82	-	100.0	-	-
<b>Payments for capital assets</b>									
Machinery and equipment	578	-	-	578	92	486	15.9	435	105
Software and other intangible assets	83	-	-	83	-	83	0.0	-	-
<b>Total</b>	<b>421 763</b>	<b>5 645</b>	<b>-</b>	<b>427 408</b>	<b>417 467</b>	<b>9 941</b>	<b>97.7</b>	<b>398 773</b>	<b>388 596</b>

Department of Labour – Vote 16  
Detail per Programme 5 – Social Insurance for the year ended 31 March 2008

Programme per subprogramme	2007/08							2006/07	
	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 Unemployment Insurance Fund</b>									
Transfers and subsidies	1	-	-	1	-	1	0.0	1	-
<b>5.2 Compensation Fund</b>									
Transfers and subsidies	10 000	-	-	10 000	5 898	4 102	59.0	9 500	7 028
<b>Total</b>	<b>10 001</b>	<b>-</b>	<b>-</b>	<b>10 001</b>	<b>5 898</b>	<b>4 103</b>	<b>59.0</b>	<b>9 501</b>	<b>7 028</b>

Economic classification	2007/08							2006/07	
	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</b>									
Departmental agencies and accounts	10 001	-	-	10 001	5 898	4 103	59.0	9 501	7 028
<b>Total</b>	<b>10 001</b>	<b>-</b>	<b>-</b>	<b>10 001</b>	<b>5 898</b>	<b>4 103</b>	<b>59.0</b>	<b>9 501</b>	<b>7 028</b>



Department of Labour – Vote 16  
Notes to the Appropriation Statement for the year ended 31 March 2008

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

Detail of these transactions can be viewed in note 8 (Transfers and subsidies) and Annexure 1 (A-F) to the Annual Financial Statements.

## 2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

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

## 3. Detail on financial transactions in assets and liabilities

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

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

### 4.1 Per programme

	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Administration				
Current Payments	357 492	326 954	30 538	9.0
Transfers and Subsidies	708	708	-	0.0
Payments for Capital Assets	1 808	722	1 086	60.0

Variances reflected under this Main Division of the Vote are mainly attributable to delays in the receipt of claims relating to municipal service payments as well as the fact that furniture and equipment budgeted for in respect of an envisaged increase in the number of staff, did not take place as these units were staffed from the existing establishment, negating the need to purchase new furniture and equipment.

	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Service Delivery				
Current Payments	650 099	645 909	4 190	1.0
Transfers and Subsidies	2 053	1 970	83	4.0
Payments for Capital Assets	13 257	8 874	4 383	33.0

Variances reflected under this Main Division of the Vote are mainly attributable to an unforeseen high number of posts vacated during the financial year, resulting in an increased level of vacancies on the

Department of Labour – Vote 16

Notes to the Appropriation Statement for the year ended 31 March 2008

establishment, as well as unanticipated delays in respect of the commencement of capital works projects and the appointment of contractors to perform repair and maintenance work at various offices. (A roll-over request regarding the capital works and repair and maintenance projects was submitted to the National Treasury.)

	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Employment and Skills Development				
Current Payments	92 009	65 466	26 543	29.0
Transfers and Subsidies	472 661	472 661	-	0.0
Payments for Capital Assets	10 369	1 992	8 377	81.0

Variances reflected under this Main Division of the Vote are mainly attributable to the fact that the appointment of service providers who would have been contracted to develop 15 qualifications was delayed due to unforeseen circumstances, the replacement of the existing perimeter fence and security access at the Department's Institution for the National Development of Learnerships, Employment-skills and Labour Assessments (INDLELA), could not be initiated during the financial year, as well as delays encountered regarding the enhancement of the Employment Services System. (A roll-over request regarding the INDLELA capital works project, as well as the Employment Services System enhancement, was submitted to the National Treasury).

	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Labour Policy and Labour Market Programmes				
Current Payments	79 422	70 253	9 169	12.0
Transfers and Subsidies	347 325	347 122	203	0.0
Payments for Capital Assets	661	92	569	86.0

Additional research has not been done (RME Agenda), delays in the processing of payments for publications (EE and LMIS), various planned trips did happen or were attended by officials in other directorates. Delays in the issuing of disposal certificates and the lack of capacity within Sheltered Employment Factories to deliver orders on time.

	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Social Insurance				
Transfers and Subsidies	10 001	5 898	4 103	41.0

This is attributed to fewer claims received on behalf of public servants injured on duty.

Department of Labour – Vote 16  
Notes to the Appropriation Statement for the year ended 31 March 2008

#### 4.2 Per economic classification

	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
<b>Current payments:</b>				
Compensation of employees	562 599	543 826	18 773	3.0
Goods and services	614 109	562 442	51 667	8.0
Financial transactions in assets and liabilities	2 314	2 314	-	0.0
Unauthorised expenditure approved	1 260	1 260	-	0.0
<b>Transfers and subsidies:</b>				
Departmental agencies and accounts	375 350	371 247	4 103	1.0
Public corporations and private enterprises	400 000	400 000	-	0.0
Foreign governments and international organisations	7 620	7 416	204	3.0
Non-profit institutions	46 433	46 361	72	0.0
Households	3 345	3 335	10	0.0
<b>Payments for capital assets:</b>				
Buildings and other fixed structures	13 643	6 260	7 383	54.0
Machinery and equipment	12 369	5 420	6 949	56.0
Software and other intangible assets	83	-	83	100.0

Department of Labour – Vote 16  
Statement of Financial Performance for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
<b>Revenue</b>			
Annual appropriation	1	2 037 865	1 493 495
Statutory appropriation	2	6 284 306	5 328 427
Appropriation for unauthorised expenditure approved	10	1 260	-
Departmental revenue	3	8 448	6 083
<b>Total Revenue</b>		<b>8 331 879</b>	<b>6 828 005</b>
<b>Expenditure</b>			
<b>Current expenditure</b>			
Compensation of employees	5	543 826	477 064
Goods and services	6	562 442	538 087
Financial transactions in assets and liabilities	7	2 314	874
Local and foreign aid assistance	4	-	914
Unauthorised expenditure approved	10	1 260	-
<b>Total current expenditure</b>		<b>1 109 842</b>	<b>1 016 939</b>
<b>Transfers and subsidies</b>	8	<b>7 112 665</b>	<b>5 738 793</b>
<b>Expenditure for capital assets</b>			
Buildings and other fixed structures	9	6 260	15 362
Machinery and equipment	9	5 420	11 787
<b>Total expenditure for capital assets</b>		<b>11 680</b>	<b>27 149</b>
<b>Total expenditure</b>		<b>8 234 187</b>	<b>6 782 881</b>
<b>Surplus/(Deficit) for the year</b>		<b>97 692</b>	<b>45 124</b>
<b>Reconciliation of Surplus/(Deficit) for the year</b>			
Voted Funds	14	89 244	39 955
Departmental Revenue	15	8 448	6 083
Local and foreign aid assistance	4	-	(914)
<b>Surplus/(Deficit) for the year</b>		<b>97 692</b>	<b>45 124</b>

Department of Labour – Vote 16  
Statement of Financial Position at 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
<b>Assets</b>			
Current assets		103 145	50 125
Unauthorised expenditure	10	-	1 260
Cash and cash equivalents	11	23 514	21 835
Prepayments and advances	12	2 002	8 158
Receivables	13	77 629	18 872
<b>Total assets</b>		<b>103 145</b>	<b>50 125</b>
<b>Liabilities</b>			
Current liabilities		93 845	42 426
Voted funds to be surrendered to the Revenue Fund	14	89 244	39 955
Departmental revenue to be surrendered to the Revenue Fund	15	891	112
Payables	16	3 710	2 359
<b>Total Liabilities</b>		<b>93 845</b>	<b>42 426</b>
<b>NET assets</b>		<b>9 300</b>	<b>7 699</b>
<b>Represented by:</b>			
Recoverable revenue (Staff and other debts recovered)		9 300	7 699
<b>Total</b>		<b>9 300</b>	<b>7 699</b>

Department of Labour – Vote 16  
Statement of Changes in Net Assets for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
<b>Recoverable revenue</b>			
Opening balance		7 699	8 111
Transfers:		1 601	(412)
Irrecoverable amounts written off	7.2	(15)	-
Debts revised	13.3	(221)	-
Debts recovered (included in departmental revenue)		(2 322)	(567)
Debts raised		4 159	155
Closing balance		9 300	7 699

Department of Labour – Vote 16  
Cash Flow Statement for the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000
<b>Cash flows from operating activities</b>			
Receipts		8 331 879	6 828 005
Annual appropriated funds received	1.1	2 037 865	1 493 495
Statutory appropriated funds received		6 284 306	5 328 427
Appropriation for unauthorised expenditure received	10	1 260	-
Departmental revenue received	3	8 448	6 083
Net (increase)/decrease in working capital		(49 990)	38 866
Surrendered to Revenue Fund		(47 624)	(92 939)
Current payments		(1 109 842)	(1 016 939)
Transfers and subsidies paid		(7 112 665)	(5 738 793)
<b>Net cash flow available from operating activities</b>	17	<b>11 758</b>	18 200
<b>Cash flows from investing activities</b>			
Payments for capital assets		(11 680)	(27 149)
<b>Net cash flows from investing activities</b>		<b>(11 680)</b>	(27 149)
<b>Cash flows from financing activities</b>			
Increase/(decrease) in net assets		1 601	(412)
<b>Net cash flows from financing activities</b>		<b>1 601</b>	(412)
Net increase/(decrease) in cash and cash equivalents		1 679	(9 361)
Cash and cash equivalents at the beginning of the period		21 835	31 196
<b>Cash and cash equivalents at end of period</b>	18	<b>23 514</b>	21 835

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, No 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, No 2 of 2006.

## **1. Presentation of the Financial Statements**

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

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

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.



Department of Labour – Vote 16  
Accounting Policies for the year ended 31 March 2008

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## 2.2 Statutory Appropriation

Statutory appropriations are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the statutory appropriations made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total statutory appropriations are presented in the Statement of Financial Performance.

Unexpended statutory appropriations are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

## 2.3 Departmental revenue

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

Amounts receivable at the reporting date are disclosed in the Disclosure Notes to the Annual Financial Statements.

### 2.3.1 Tax revenue

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

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

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

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

### 2.3.3 Fines, penalties and forfeits

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

### 2.3.4 Interest, dividends and rent on land

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

### 2.3.5 Sale of capital assets

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

### 2.3.6 Financial transactions in assets and liabilities

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

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

Forex gains are recognised on payments of funds.

### **2.3.7 Transfers received (including gifts, donations and sponsorships)**

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

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

## **2.4 Direct exchequer receipts**

All direct exchequer fund receipts are recognised in the Statement of Financial Performance when the cash is received.

## **2.5 Local and foreign aid assistance**

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the Department directly receives the cash from the donor(s).

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

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

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

## **2.6 CARA fund assistance**

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 current or capital expenditure in the Statement of Financial Performance.

Any unspent CARA funds are transferred to Retained Funds as these funds do not need to be surrendered to the National Revenue Fund.

# **3. Expenditure**

## **3.1 Compensation of employees**

### **3.1.1 Short-term employee benefits**

Salaries and wages comprise payments to employees (including leave entitlements, thirteenth cheques and performance bonuses). Salaries and wages are recognised as an expense in the Statement of Financial

Department of Labour – Vote 16  
Accounting Policies for the year ended 31 March 2008

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

All other payments are classified as current expense.

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 Position.

### **3.1.2 Post retirement benefits**

The Department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions.

Employer contributions (i.e. social contributions) to the fund are expensed when the final authorisation for payments to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the Financial Statements of the Department. Any potential liabilities are disclosed in the Financial Statements of the National/Provincial Revenue Fund and not in the Financial Statements of the employer department.

The Department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when final authorisation for payments to the fund is effected on the system (by no later than 31 March of each year).

### **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 payments 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 payments 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. These amounts are not recognised in the Statement of Financial Performance or Position.

## **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 payments is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5 000 or more is purchased. All assets costing less than R5 000 will also be reflected under goods and services.

## **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 payments 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 payments 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 under-spending of appropriated funds. The write-off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a Disclosure Note.

Forex losses are recognised on payments of funds.

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

### 3.5 Unauthorised expenditure

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

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

### 3.6 Fruitless and wasteful expenditure

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

### 3.7 Irregular expenditure

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

### 3.8 Transfers and subsidies

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

### 3.9 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payments is effected on the system (by no later than 31 March of each year).

## 4. Assets

### 4.1 Cash and cash equivalents

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

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Accounting Policies for the year ended 31 March 2008

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

#### 4.2 Other financial assets

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

#### 4.3 Pre-payments and advances

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

Pre-payments 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.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost.

#### 4.5 Investments

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

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

#### 4.6 Loans

Loans are recognised in the Statement of Financial Position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in the Disclosure Notes.

Loans that are outstanding at year-end are carried in the Statement of Financial Position at cost.

#### 4.7 Inventory

Inventories purchased during the financial year are disclosed at cost in the notes.

#### 4.8 Capital assets

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 capital asset should be stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

Projects (of construction/development) running over more than one financial year relating to assets, are only capitalised as assets on completion of the project and at the total cost incurred over the duration of the project.

Disclosure Notes 30 and 31 reflect the total movement in the asset register for the current financial year.

## **5. Liabilities**

### **5.1 Voted funds to be surrendered to the Revenue Fund**

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

### **5.2 Departmental revenue to be surrendered to the Revenue Fund**

Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position at cost.

### **5.3 Bank overdraft**

The bank overdraft is carried in the Statement of Financial Position at cost.

### **5.4 Payables**

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

### **5.5 Contingent liabilities**

Contingent liabilities are included in the Disclosure Notes.

### **5.6 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.

### **5.7 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.

### **5.8 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.

### **5.9 Lease commitments**

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

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the Annexures and Disclosure Notes to the financial statements.

Department of Labour – Vote 16  
Accounting Policies for the year ended 31 March 2008

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## **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 transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.

### **7.2 Recoverable revenue**

Amounts are recognised as recoverable revenue when a payments made in a previous financial year becomes recoverable from a debtor in the current financial year.

## **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.

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Notes to the Annual Financial Statements for the year ended 31 March 2008

**1. Annual appropriation**

**1.1 Annual appropriation**

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

	Final appropriation	Actual funds received	Funds not requested/not received	Appropriation received 2006/07
	R'000	R'000	R'000	R'000
Administration	360 008	365 653	(5 645)	336 263
Service Delivery	665 409	665 409	-	595 437
Employment and Skills Development Services	575 039	575 039	-	153 521
Labour Policy and Labour Market Programmes	427 408	421 763	5 645	398 773
Social Insurance	10 001	10 001	-	9 501
<b>Total</b>	<b>2 037 865</b>	<b>2 037 865</b>	<b>-</b>	<b>1 493 495</b>

	Note	2007/08	2006/07
		R'000	R'000
<b>2. Statutory appropriation</b>			
Sector Education and Training Authorities (SETAs)		5 027 445	4 262 741
National Skills Fund		1 256 861	1 065 686
<b>Total</b>		<b>6 284 306</b>	<b>5 328 427</b>
Actual Statutory Appropriation received		6 284 306	5 328 427

**3. Departmental revenue**

Sales of goods and services other than capital assets	3.1	4 055	3 450
Fines, penalties and forfeits		395	511
Interest, dividends and rent on land	3.2	1 283	482
Financial transactions in assets and liabilities	3.3	2 715	1 640
<b>Total revenue collected</b>		<b>8 448</b>	<b>6 083</b>

**3.1 Sales of goods and services other than capital assets**

Sales of goods and services produced by the Department	3 968	3 450
Sales of scrap, waste and other used current goods	87	-
<b>Total</b>	<b>4 055</b>	<b>3 450</b>



Department of Labour – Vote 16  
Notes to the Annual Financial Statements for the year ended 31 March 2008

	Note	2007/08	2006/07
		R'000	R'000
<b>3.2 Interest, dividends and rent on land</b>			
Interest		1 283	482
<b>Total</b>		<b>1 283</b>	<b>482</b>
<b>3.3 Financial transactions in assets and liabilities (Nature of recovery)</b>			
Stale cheques written back		9	48
Other receipts including recoverable revenue		2 706	1 592
<b>Total</b>		<b>2 715</b>	<b>1 640</b>
<b>4. Local and foreign aid assistance</b>			
<b>4.1 Assistance received in cash: other</b>			
<b>Foreign</b>			
Opening balance		-	914
Expenditure: current		-	(914)
Closing balance		-	-
<b>Total assistance</b>			
Opening balance		-	914
Expenditure: current		-	(914)
Closing balance		-	-
<b>5. Compensation of employees</b>			
<b>5.1 Salaries and wages</b>			
Basic salary		378 210	352 224
Performance award		7 058	5 438
Service based		35	52
Compensative/circumstantial		5 385	5 012
Other non-pensionable allowances		67 871	52 728
<b>Total</b>		<b>458 559</b>	<b>415 454</b>

Department of Labour – Vote 16  
Notes to the Annual Financial Statements for the year ended 31 March 2008

	Note	2007/08	2006/07
		R'000	R'000
<b>5.2 Social contributions</b>			
<b>5.2.1 Employer contributions</b>			
Pension		55 257	40 311
Medical		29 895	21 197
Bargaining Council		115	98
Insurance		-	4
<b>Total</b>		<b>85 267</b>	<b>61 610</b>
<b>Total compensation of employees</b>		<b>543 826</b>	<b>477 064</b>
Average number of employees		<b>3 881</b>	3 742
<b>6. Goods and services</b>			
Advertising		26 734	15 368
Bank charges and card fees		176	160
Bursaries (employees)		2 391	1 590
Catering		4 934	3 335
Communication		49 315	46 475
Computer services		87 699	120 674
Consultants, contractors and special services		31 236	21 420
Courier and delivery services		308	196
Tracing agents and debt collections		6	10
Drivers' licences and permits		41	49
Entertainment		368	376
External audit fees	6.1	18 245	16 767
Equipment less than R5 000		6 578	12 209
Freight service		2 103	276
Inventory	6.2	32 917	28 558
Legal fees		1 243	2 149
Licence agency fees		-	6
Maintenance, repairs and running costs		45 383	48 116
Medical services		2	15
Municipal services		11 804	11 123
Operating leases		78 182	72 665
Photographic services		10	131
Plants, flowers and other decorations		68	67
Printing and publications		112	208

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	Note	2007/08	2006/07
		R'000	R'000
Professional bodies and membership fees		91	100
Resettlement costs		1 851	2 434
School and boarding fees		130	173
Storage of furniture		350	-
Owned and leasehold property expenditure		19 327	16 089
Translations and transcriptions		25	85
Transport provided as part of the departmental activities		442	454
Travel and subsistence	6.3	109 511	87 377
Venues and facilities		18 010	18 890
Protective, special clothing and uniforms		336	371
Training and staff development		12 514	10 171
<b>Total</b>		<b>562 442</b>	<b>538 087</b>
<b>6.1 External audit fees</b>			
Regulatory audits		17 504	15 684
Performance audits		741	1 083
<b>Total</b>		<b>18 245</b>	<b>16 767</b>
<b>6.2 Inventory</b>			
Domestic consumables		2 267	2 102
Agricultural		2	31
Learning and teaching support material		15	-
Food and food supplies		1 416	1 738
Fuel, oil and gas		1 226	503
Other consumables		2 509	1 410
Parts and other maintenance material		1 936	1 187
Sport and recreation		-	1
Stationery and printing		23 535	21 517
Medical supplies		11	69
<b>Total</b>		<b>32 917</b>	<b>28 558</b>
<b>6.3 Travel and subsistence</b>			
Local		103 490	80 927
Foreign		6 021	6 450
<b>Total</b>		<b>109 511</b>	<b>87 377</b>

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	Note	2007/08	2006/07
		R'000	R'000
<b>7. Financial transactions in assets and liabilities</b>			
Debts written off	7.1	2 314	874
<b>Total</b>		<b>2 314</b>	<b>874</b>
<b>7.1 Debts written off</b>			
<b>Nature of debts written off</b>			
Staff debts		2 307	863
Overalls and tools		-	9
Other		7	2
<b>Total</b>		<b>2 314</b>	<b>874</b>
<b>7.2 Irrecoverable amounts written off</b>			
Receivables written off		15	-
Breach of contract		15	-
<b>Total</b>		<b>15</b>	<b>-</b>
<b>8. Transfers and subsidies</b>			
Provinces and municipalities	Annex 1A	-	284
Departmental agencies and accounts	Annex 1B	6 655 553	5 677 022
Foreign governments and international organisations	Annex 1C	7 416	6 882
Public corporations and private enterprises	Annex 1D	400 000	-
Non-profit institutions	Annex 1E	46 361	52 658
Households	Annex 1F	3 335	1 947
<b>Total</b>		<b>7 112 665</b>	<b>5 738 793</b>
<b>9. Expenditure for capital assets</b>			
Buildings and other fixed structures	30	6 260	15 362
Machinery and equipment	30	5 420	11 787
<b>Total</b>		<b>11 680</b>	<b>27 149</b>
<b>10. Unauthorised expenditure</b>			
<b>10.1 Reconciliation of unauthorised expenditure</b>			
Opening balance		1 260	1 260
Amounts approved by parliament/legislature (with funding)		(1 260)	-
Unauthorised expenditure awaiting authorisation		-	1 260

Department of Labour – Vote 16  
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	Note	2007/08	2006/07
		R'000	R'000
<b>11. Cash and cash equivalents</b>			
Consolidated Paymaster-General account		23 110	21 455
Disbursements		8	-
Cash on hand		396	380
<b>Total</b>		<b>23 514</b>	<b>21 835</b>

<b>12. Prepayments and advances</b>			
Travel and subsistence		779	2 715
Prepayments		-	4 249
Advances paid to other entities		1 223	1 194
<b>Total</b>		<b>2 002</b>	<b>8 158</b>

**13. Receivables**

	Note				2007/08	2006/07
		Less than one year	One to three years	Older than three years	Total	Total
		R'000	R'000	R'000	R'000	R'000
Staff debtors	13.1	2 808	4 155	8 672	15 635	14 024
Other debtors	13.2	457	1 285	11	1 753	1 456
Intergovernmental receivables	Annex 3	58 242	1 468	531	60 241	3 392
<b>Total</b>		<b>61 507</b>	<b>6 908</b>	<b>9 214</b>	<b>77 629</b>	<b>18 872</b>

**13.1 Staff debtors**

	Note	2007/08	2006/07
		R'000	R'000
Staff debtors		15 635	14 024
<b>Total</b>		<b>15 635</b>	<b>14 024</b>

**13.2 Other debtors**

Salary tax debt		-	73
Clearing accounts		702	258
Disallowed Dishonoured cheques		26	48
Disallowances miscellaneous		-	54
Irregular expenditure		1 014	1 012
Arrear wages debt		11	11
<b>Total</b>		<b>1 753</b>	<b>1 456</b>

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	Note	2007/08	2006/07
		R'000	R'000
<b>13.3 Debts revised</b>			
Interest more than capital debt - reversed		(221)	-
<b>Total</b>		<b>(221)</b>	<b>-</b>

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

Opening balance	39 955	86 397
Transfer from Statement of Financial Performance	89 244	39 955
Paid during the year	(39 955)	(86 397)
Closing balance	<b>89 244</b>	<b>39 955</b>

**15. Departmental revenue to be surrendered to the Revenue Fund**

Opening balance	112	571
Transfer from Statement of Financial Performance	8 448	6 083
Paid during the year	(7 669)	(6 542)
Closing balance	<b>891</b>	<b>112</b>

**16. Payables – current**

	Note	30 Days	30+ Days	2007/08 Total	2006/07 Total
		R'000	R'000	R'000	R'000
<b>Description</b>					
Amounts owing to other entities		965	-	965	-
Clearing accounts	16.1	326	1 950	2 276	1 865
Other payables	16.2	-	469	469	494
<b>Total</b>		<b>1 291</b>	<b>2 419</b>	<b>3 710</b>	<b>2 359</b>

**16.1 Clearing accounts**

	Note	2007/08	2006/07
		R'000	R'000
Arrear wages control		33	67
Deduction control account		2 243	1 798
<b>Total</b>		<b>2 276</b>	<b>1 865</b>

**16.2 Other payables**

Disallowances	469	494
<b>Total</b>	<b>469</b>	<b>494</b>

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

	Note	2007/08	2006/07
		R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance		97 692	45 124
Add back non cash/cash movements not deemed operating activities		(85 934)	(26 924)
(Increase)/decrease in receivables – current		(58 757)	153
(Increase)/decrease in prepayments and advances		6 156	37 776
(Increase)/decrease in other current assets		1 260	-
Increase/(decrease) in payables – current		1 351	937
Expenditure on capital assets		11 680	27 149
Surrenders to Revenue Fund		(47 624)	(92 939)
<b>Net cash flow generated by operating activities</b>		<b>11 758</b>	<b>18 200</b>
<b>18. Reconciliation of cash and cash equivalents for cash flow purposes</b>			
Consolidated Paymaster-General account		23 110	21 455
Disbursements		8	-
Cash on hand		396	380
<b>Total</b>		<b>23 514</b>	<b>21 835</b>

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

		Note	2007/08	2006/07
			R'000	R'000
<b>19. Contingent liabilities</b>				
<b>Liable to</b>	<b>Nature</b>			
Motor vehicle guarantees	Employees	Annex 2A	254	-
Housing loan guarantees	Employees	Annex 2A	12 881	14 126
Claims against the Department		Annex 2B	919	2 276
Other departments (interdepartmental unconfirmed balances)		Annex 4	408	12 595
<b>Total</b>			<b>14 462</b>	<b>28 997</b>
<b>20. Commitments</b>				
<b>Current expenditure</b>				
Approved and contracted			7 127	53 979
Approved but not yet contracted			-	301
<b>Total</b>			<b>7 127</b>	<b>54 280</b>
<b>Capital expenditure</b>				
Approved and contracted			-	8 147
Approved but not yet contracted			-	71
<b>Total</b>			<b>-</b>	<b>8 218</b>
<b>Total commitments</b>			<b>7 127</b>	<b>62 498</b>

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21. Accruals

	30 Days	30+ Days	2007/08 Total	2006/07 Total
	R'000	R'000	R'000	R'000
<b>Listed by economic classification</b>				
Goods and services	10 299	1 253	11 552	5 471
<b>Total</b>	<b>10 299</b>	<b>1 253</b>	<b>11 552</b>	<b>5 471</b>
<b>Listed by programme level</b>				
Programme 1 – Administration			5 973	2 612
Programme 2 – Service Delivery			5 191	2 712
Programme 3 – ESDS			307	-
Programme 4 – LP&LMP			81	147
			<b>11 552</b>	<b>5 471</b>
Confirmed balances with other departments		Annex 3	965	-
Confirmed balances with other government entities		Annex 3	-	-
			<b>965</b>	<b>-</b>

	2007/08	2006/07
	R'000	R'000
<b>22. Employee benefits</b>		
Leave entitlement	15 683	13 471
Thirteenth cheque	16 045	16 075
Performance awards	81	6 050
Capped leave commitments	32 347	33 909
<b>Total</b>	<b>64 156</b>	<b>69 505</b>

23. Lease commitments

	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
<b>23.1 Operating leases</b>				
<b>2007/08</b>				
Not later than 1 year	-	-	15	15
Later than 1 year and not later than 5 years	-	-	5	5
<b>Total present value of lease liabilities</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>2006/07</b>				
Not later than 1 year	-	-	127	127
<b>Total present value of lease liabilities</b>	<b>-</b>	<b>-</b>	<b>127</b>	<b>127</b>



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	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000
<b>23.2 Finance leases**</b>				
<b>2007/08</b>				
Not later than 1 year	-	-	2 387	2 387
Later than 1 year and not later than 5 years	-	-	2 480	2 480
<b>Total present value of lease liabilities</b>	-	-	<b>4 867</b>	<b>4 867</b>
<b>Analysis</b>				
Condoned	-	-	4 867	4 867
<b>Total</b>	-	-	<b>4 867</b>	<b>4 867</b>
<b>2006/07</b>				
Not later than 1 year	-	-	2 408	2 408
Later than 1 year and not later than 5 years	-	-	1 797	1 797
<b>Total present value of lease liabilities</b>	-	-	<b>4 205</b>	<b>4 205</b>
<b>Analysis</b>				
Condoned	-	-	4 205	4 205
<b>Total</b>	-	-	<b>4 205</b>	<b>4 205</b>

\*\*This note excludes leases relating to Public Private Partnerships as they are separately disclosed in note no. 28.

	2007/08	2006/07
	R'000	R'000
<b>24. Receivables for departmental revenue</b>		
Sales of goods and services other than capital assets	138	131
Fines, penalties and forfeits	6	3
Interest, dividends and rent on land	409	(58)
Financial transactions in assets and liabilities	338	36
<b>Total</b>	<b>891</b>	<b>112</b>

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	2007/08	2006/07
	R'000	R'000
<b>25. Irregular expenditure</b>		
<b>25.1 Reconciliation of irregular expenditure</b>		
Opening balance	1 012	927
Add: Irregular expenditure - current year	2	85
<b>Irregular expenditure awaiting condonement</b>	<b>1 014</b>	<b>1 012</b>
<b>Analysis of awaiting condonement per classification</b>	<b>1 014</b>	<b>1 012</b>
Current expenditure	1 014	991
Expenditure for capital assets	-	21
<b>Analysis of awaiting condonement per age classification</b>		
Current	2	85
Prior years	1 012	927
<b>Total</b>	<b>1 014</b>	<b>1 012</b>

	2007/08	2006/07
	R'000	R'000
<b>25.2 Irregular expenditure</b>		
<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	
Amount not approved by sub tender	Investigation in process	929 927
Expenditure in contravention with tender procedures	Investigation in process	45 45
Overtime not approved timeously	Investigation in process	40 40
<b>Total</b>	<b>1 014</b>	<b>1 012</b>

**26. Related party transactions**

Information about related party transactions is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the department. The principle issues in disclosing information about related parties is identifying which parties control or significantly influence the department and determining what information should be disclosed about transactions with those parties.

Related party transactions are disclosed as transfers in Annexures 1A - F.

	No. of Individuals	2007/08	2006/07
<b>27. Key management personnel</b>			
Political office bearers (provide detail below)			
Officials	1	951	925
Level 15 to 16	4	2 791	2 182
Level 14	20	11 308	9 021
<b>Total</b>		<b>15 050</b>	<b>12 128</b>

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**28. Public Private Partnership**

**A description of the arrangement**

Subsequent to obtaining Treasury Approval III from National Treasury in terms of Treasury Regulation 16, the Department entered into a Public Private Partnership Agreement (“PPP Agreement”) with Siemens Business Services (Proprietary) Limited (“private partner”), effective from 1 December 2002, to provide information technology related, infrastructure, services and management support to the Department, the Unemployment Insurance Fund and the Compensation Fund (“the Funds”) for a period of 10 years.

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

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

- **Service credits**  
The Department is entitled to deduct service credits from the unitary fee if and when the quality of service falls below the agreed service levels
- **Additional services**  
Provision is made for additional services to be obtained from a table of rates that is adjusted annually by CPIX and benchmarked at 3-yearly intervals. The private partner does not have an exclusive right to provide additional services, but does however, have a “first call” option
- **Variations**  
The contractual change management procedures make provision for the approval of changes in respect of the PPP Agreement via mutual agreement and payments will either be in the form of an agreed change in the unitary fee or a lump sum payments
- **Scalability**  
Provision is made for scalability of services within certain boundaries in terms of volume and usage. The unitary fee may be adjusted for the following categories if the actual number of users exceeds the stipulated breakpoints:
  - Number of end-user devices
  - Rural and urban spread of end-user devices
  - Number of end-user devices with high license and maintenance cost
- **Excess Profit Regime**  
Any actual profits achieved by the private partner on the PPP Agreement above a stipulated percentage have to be deposited in the re-investment fund by the private partner
- **Foreign exchange rate mechanism**  
The PPP Agreement makes provision for sharing the risk of devaluation of the Rand over the PPP Agreement period. The Department’s risk in the event that the Rand devaluates outside certain agreed parameters is capped and managed through a prescribed mechanism.

**The nature and extent of the arrangement**

*a. Rights to use specified assets*

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

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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 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 and the Funds provided their own information technology services. The Initial Services are continued by the private partner until such time as they are replaced by other services explained in the following paragraph
- **Improvement Services**  
The private partner is required to develop a new information technology environment (hardware, network, operating systems, software applications and training) that is appropriate to support the business processes of the Department and the Funds
- **Operational Services**  
The private partner is required to operate, maintain, support and refresh the information technology environment of the Department and the Funds at agreed service levels

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

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

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

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

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

e. *Renewal and termination options*

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

The Department may at expiry of the PPP Agreement, in its sole discretion, request support services for a twelve 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

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

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

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

g. *Changes in the arrangement occurring during the period*

None.

h. *Reinvestment Fund*

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

- The Department's obligations in the event that the Rand devaluates outside certain agreed parameters
- Additional services or variations
- A reduction in unitary fee
- Bank charges related to the Reinvestment Fund

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

- Funds accumulated due to foreign exchange savings will be distributed to the Department 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 2008, the balance of the reinvestment fund was:

	2007/08	2006/07
	R'000	R'000
Department	8 875 995	7 988 406
Compensation Fund	8 847 382	7 954 832
Unemployment Insurance Fund	8 839 423	7 961 459
<b>Total</b>	<b>26 562 800</b>	<b>23 904 697</b>

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i. Expenditure for the financial year

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

Year ended	Unitary fee	Additional services	Total
31 March 2003	R40 833 333	R nil	R40 833 333
31 March 2004	R125 463 046	R36 806 561	R162 269 607
31 March 2005	R136 962 744	R22 646 145	R159 608 889
31 March 2006	R160 210 820	R14 130 604	R174 341 424
31 March 2007	R158 421 099	R21 988 865	R180 409 964
31 March 2008	R194 901 365	R11 386 879	R206 288 244

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

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

The table below provides a summary of payments made for the year ended 31 March 2008:

Payments 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	194 901	64 967	64 967	64 967
Additional services	11 387	361	10 223	803
<b>Total</b>	<b>206 288</b>	<b>65 328</b>	<b>75 190</b>	<b>65 770</b>

The Department's portion of the payments to the private partner is disclosed, accounted and budgeted for as current expenditure (Goods and Services) in the Annual Financial Statements of the Department. This treatment is consistent with the treatment followed in the years ended 31 March 2003 to 31 March 2007.

Disclosure		2007/08	2006/07
	Note	R'000	R'000
<b>Contract fee received</b>		<b>(129 934)</b>	<b>(105 614)</b>
Unitary fee portion paid to the Department by the:			
- Unemployment Insurance Fund		<b>(64 967)</b>	(52 807)
- Compensation Fund		<b>(64 967)</b>	(52 807)

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Disclosure		2007/08	2006/07
	Note	R'000	R'000
<b>Contract fee paid</b>		<b>195 262</b>	165 045
Fixed component	1	183 999	158 421
Scalability adjustment in respect of previous years		10 902	-
Additional services		361	6 624
<b>Current expenditure</b>		<b>10 295</b>	9 418
Goods and services (excluding lease payments)	2	10 295	9 418
<b>Total</b>		<b>75 623</b>	68 849

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

Note 2: The amount of R10.295 million for 2007/08 is a committed expenditure as at 31 March 2008.

Payments was made in April 2008.

### 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 African is currently drafting guidance in respect of the grantor's (public entity's) accounting treatment in such arrangements, but it is not yet finalised.

Certain aspects and disclosures relating to some forms of service concession arrangements are already addressed by existing standards, some aspects of service concessions are not addressed. In the absence of current guidance, 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.

Until such time as guidance on the accounting treatment is available, the following disclosures are made that indicate the potential effect on the Annual Financial Statements of the Department of Labour, should the Public Private Partnership Agreement be treated as a finance lease, which is consistent with the disclosure for the 31 March 2005, 31 March 2006, and 31 March 2007 financial years.

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

Notes 30 and 31 of the Annual Financial Statements: would require the following additions in respect of the PPP Agreement:

**Physical Asset (tangible and intangible assets) Movement Schedule as at 31 March 2008**

	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>Tangible assets</b>					
Computer equipment					
- Legacy assets (Note 1)	-	-	-	-	-
- Other assets (Note 2)	114 360	-	10 470	-	124 830
<b>Intangible assets</b>					
Software development and enhancements (Note 3)	39 075	-	6 639	-	40 499
<b>Total tangible and intangible assets</b>	<b>153 435</b>	<b>-</b>	<b>17 109</b>	<b>-</b>	<b>165 329</b>

**Physical Asset (tangible and intangible assets) Movement Schedule as at 31 March 2007**

	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>Tangible assets</b>					
Computer equipment					
- Legacy assets (Note 1)	-	-	-	-	-
- Other assets (Note 2)	102 828	-	11 733	201	114 360
<b>Intangible assets</b>					
Software development and enhancements (Note 3)	-	26 658	12 417	-	39 075
<b>Total tangible and intangible assets</b>	<b>102 828</b>	<b>26 658</b>	<b>24 150</b>	<b>201</b>	<b>153 435</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



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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 payments was effected, thus prior to December 2002. The opening balance is therefore Rnil.

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

Note 3: Software development and enhancements means 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. Software development and enhancements are stated at cost (being the cost price to the private partner, inclusive of VAT) and no impairment is included, although the assets have an estimated useful life of three years. The cost to the private partner of software development and enhancement is in most cases not known to the Department of Labour and in these cases the assets are excluded from the disclosure of software development and enhancements. 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 Income 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. Software development and enhancements costs running over more than one financial year relating to assets, are only capitalised as assets on completion of the project and at the total cost incurred over the duration of the project.

### Note 23 of the Annual Financial Statements – Lease Commitments

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

#### 23.1 Operating leases:

Public Private Partnership Agreement in respect of information technology:

	Total 2007/08	Total 2006/07
	R'000	R'000
For the current financial year	191 893	143 958
Not later than 1 year	159 752	142 334
Later than 1 year and not later than 5 years	518 885	508 286
Later than 5 years	-	80 984

#### 23.2 Financial leases:

Public Private Partnership Agreement in respect of information technology:

	Total 2007/08	Total 2006/07
	R'000	R'000
For the current financial year	14 395	36 452
Not later than 1 year	24 248	16 087
Later than 1 year and not later than 5 years	155 779	125 398
Later than five years	-	24 630
Present value of lease liabilities (deemed entered into as at year end)	11 425	13 828

Note: The above includes only tangible assets.

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

Year ends	Months in period	Unitary fee	Additional service fee	Total payments to private partner	Capital expenditure by private partner	"Deemed" lease payments	Interest element of "deemed" lease payments	"Deemed" operating lease payments
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
1 December to 31 March 2003	4	40 833	-	40 833	-	-	-	40 833
1 April 2003 to 31 March 2004	12	125 463	36 807	162 270	17 549	6 607	1 222	155 663
1 April 2004 to 31 March 2005	12	136 963	22 646	159 609	69 099	32 623	5 583	126 986
1 April 2005 to 31 March 2006	12	160 211	14 131	174 342	16 180	38 717	4 442	135 625
1 April 2006 to 31 March 2007	12	158 421	21 989	180 410	11 532	36 452	2 620	143 958
1 April 2007 to 31 March 2008	12	194 901	11 387	206 288	10 470	14 395	1 521	191 893
1 April 2008 to 31 March 2009	12	183 999	-	183 999	42 173	24 248	3 706	159 834
1 April 2009 to 31 March 2010	12	183 999	-	183 999	37 474	34 075	4 800	150 066
1 April 2010 to 31 March 2011	12	183 999	-	183 999	31 392	43 292	4 622	140 882
1 April 2011 to 31 March 2012	12	183 999	-	183 999	31 751	47 823	3 842	136 334
1 April 2012 to 31 March 2013	8	122 666	-	122 666	7 903	30 589	939	92 151
<b>Total</b>	<b>120</b>	<b>1 675 454</b>	<b>106 960</b>	<b>1 782 414</b>	<b>275 523</b>	<b>308 821</b>	<b>33 297</b>	<b>1 474 242</b>

The unitary fee for years subsequent to 31 March 2008 has not been adjusted for inflation after 31 March 2008 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 only and is based on the actual cost, including VAT, incurred by the private partner up to 31 March 2008 for computer equipment. All subsequent years are based on the planned expenditure by the private party in respect of tangible assets.

"Deemed" lease payments have been calculated based on the capital expenditure, the weighted average government borrowing rate (being 8,4%), a lease period of the shorter of three years (being an assumed average economic life for computer hardware and software development and enhancements) or the remaining period of the PPP Agreement, monthly lease payments in arrears and assuming that all capital expenditure in a year is incurred on the first day of the financial year.

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

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

	Total 2007/08 R'000	Total 2006/07 R'000
Total "Deemed" operating lease payments (additional disclosure in respect of note 23.1)	191 893	143 958
Allocated to the Department of Labour	50 933	22 979
Allocated to the Unemployment Insurance Fund	75 190	64 119
Allocated to the Compensation Fund	65 770	56 860
"Deemed" finance lease payments by the Department of Labour (additional disclosure in respect of note 23.2)	14 395	36 452
<b>Total payments to the private partner</b>	<b>206 288</b>	<b>180 410</b>
Payments allocated to the Department of Labour as per the Statement of Financial Performance		
"Deemed" finance lease payments	14 395	36 452
"Deemed" operating lease payments	50 933	22 979
<b>Total payments by the Department of Labour (included in note 6)</b>	<b>65 328</b>	<b>59 431</b>

#### 29. Provisions

	2007/08 R'000	2006/07 R'000
<b>Potential irrecoverable debts</b>		
Staff debtors	8 853	10 279
Other debtors	87	8
Claims recoverable	531	-
<b>Total</b>	<b>9 471</b>	<b>10 287</b>

#### 30. Tangible capital assets

##### Movement in tangible capital assets per asset register for the year ended 31 March 2008

	Opening balance R'000	Current year adjustments to prior year balances R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Buildings and other fixed structures</b>	<b>16 134</b>	<b>809</b>	<b>6 260</b>	<b>(12)</b>	<b>23 191</b>
Dwellings	-	130	-	-	130
Non-residential buildings	15 474	627	6 260	(12)	22 349
Other fixed structures	660	52	-	-	712
<b>Machinery and equipment</b>	<b>107 156</b>	<b>(4 025)</b>	<b>5 378</b>	<b>(2 184)</b>	<b>106 325</b>
Transport assets	5 157	4 700	-	-	9 857
Computer equipment	30 749	485	88	(213)	31 109
Furniture and office equipment	17 789	14 603	3 099	(1 269)	34 222
Other machinery and equipment	53 461	(23 813)	2 191	(702)	31 137
<b>Total tangible assets</b>	<b>123 290</b>	<b>(3 216)</b>	<b>11 638</b>	<b>(2 196)</b>	<b>129 516</b>

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30.1 Additions to tangible capital assets per asset register for the year ended 31 March 2008

	Cash	Non-cash	(Capital work in progress current costs)	Received current, not paid (Paid\ current year, received prior year)	Total
	Cost R'000	Fair Value/R1 R'000	Cost R'000	Cost R'000	Cost R'000
<b>Buildings and other fixed structures</b>	6 260	-	-	-	6 260
Non-residential buildings	6 260	-	-	-	6 260
<b>Machinery and equipment</b>	5 420	-	-	(42)	5 378
Computer equipment	88	-	-	-	88
Furniture and office equipment	3 141	-	-	(42)	3 099
Other machinery and equipment	2 191	-	-	-	2 191
<b>Total</b>	<b>11 680</b>	<b>-</b>	<b>-</b>	<b>(42)</b>	<b>11 638</b>

30.2 Disposals of tangible capital assets per asset register for the year ended 31 March 2008

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	Cost/value price as per AR R'000	Cost/value price as per AR R'000	R'000	Cost R'000
<b>Buildings and other fixed structures</b>	-	12	12	-
Non-residential buildings	-	12	12	-
<b>Machinery and equipment</b>	-	2 184	2 184	-
Computer equipment	-	213	213	-
Furniture and office equipment	-	1 269	1 269	-
Other machinery and equipment	-	702	702	-
<b>Total</b>	<b>-</b>	<b>2 196</b>	<b>2 196</b>	<b>-</b>

30.3 Movement in tangible capital assets per asset register for the year ended 31 March 2007

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>Buildings and other fixed structures</b>	772	15 362	-	16 134
Non-residential buildings	112	15 362	-	15 474
Other fixed structures	660	-	-	660
<b>Machinery and equipment</b>	95 816	11 982	(642)	107 156
Transport assets	5 157	-	-	5 157
Computer equipment	29 687	1 062	-	30 749
Furniture and office equipment	12 743	5 688	(642)	17 789
Other machinery and equipment	48 229	5 232	-	53 461
<b>Total tangible assets</b>	<b>96 588</b>	<b>27 344</b>	<b>(642)</b>	<b>123 290</b>

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**31. Intangible Capital Assets**

Movement in intangible capital assets per asset register for the year ended 31 March 2008

	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	7 072	(44)	-	-	7 028
Services and operating rights	23	-	-	-	23
Other intangibles	1 044	(973)	-	-	71
<b>Total intangible assets</b>	<b>8 139</b>	<b>(1 017)</b>	<b>-</b>	<b>-</b>	<b>7 122</b>

**31.1 Additions to intangible capital assets per asset register for the year ended 31 March 2008**

	Cash	Non-Cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	Cost	Fair Value/R1	Cost	Cost	Cost
	R'000	R'000	R'000	R'000	R'000
Computer software	-	-	-	-	-
Services and operating rights	-	-	-	-	-
Other intangibles	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**31.2 Disposals of intangible capital assets per asset register for the year ended 31 March 2008**

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	Cost/value price as per AR	Cost/value price as per AR		Cost
	R'000	R'000	R'000	R'000
Computer software	-	-	-	-
Services and operating rights	-	-	-	-
Other intangibles	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**31.3 Movement in intangible capital assets per asset register for the year ended 31 March 2007**

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Computer software	7 072	-	-	7 072
Services and operating rights	23	-	-	23
Other intangibles	1 044	-	-	1 044
<b>Total</b>	<b>8 139</b>	<b>-</b>	<b>-</b>	<b>8 139</b>

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**Annexure 1A**  
**Statement of unconditional grants and transfers to municipalities**

Name of municipality	Grant allocation				Transfer		Spent			2006/07
	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
Motheo District Municipality	-	-	-	-	-	-	-	-	-	12
Waterberg District Municipality	-	-	-	-	-	-	-	-	-	2
Nkangala Dist Council	-	-	-	-	-	-	-	-	-	10
Ehlanzeni District Municipality	-	-	-	-	-	-	-	-	-	3
Frances Baard District Municipality	-	-	-	-	-	-	-	-	-	8
Ukhahlamba District Municipality	-	-	-	-	-	-	-	-	-	1
Capricorn District Municipality	-	-	-	-	-	-	-	-	-	12
Chris Hani District Municipality	-	-	-	-	-	-	-	-	-	1
Greater East Rand Metro	-	-	-	-	-	-	-	-	-	25
Gert Sibande District Municipality	-	-	-	-	-	-	-	-	-	4
Bophirma List Council	-	-	-	-	-	-	-	-	-	1
Tshwane Metropolitan Municipality	-	-	-	-	-	-	-	-	-	93
Bojanala Platinum District Municipality	-	-	-	-	-	-	-	-	-	3
Greater JHB Metro Council	-	-	-	-	-	-	-	-	-	16
West Coast District Municipality	-	-	-	-	-	-	-	-	-	1
Namakwa District Municipality	-	-	-	-	-	-	-	-	-	1
Northern Free State District Council	-	-	-	-	-	-	-	-	-	2
Sedibeng District Municipality	-	-	-	-	-	-	-	-	-	2
Southern District Council	-	-	-	-	-	-	-	-	-	2
Cape Metropolitan Council	-	-	-	-	-	-	-	-	-	13
West Rand District Municipality	-	-	-	-	-	-	-	-	-	2
East Free State District Council	-	-	-	-	-	-	-	-	-	2
Lejwelephutswa District Municipality	-	-	-	-	-	-	-	-	-	2
Amatole District Municipality	-	-	-	-	-	-	-	-	-	14
Eden District Municipality	-	-	-	-	-	-	-	-	-	4
Ethekwini Municipality	-	-	-	-	-	-	-	-	-	15
Umgungundlovu District Municipality	-	-	-	-	-	-	-	-	-	3
Ugu District Municipality	-	-	-	-	-	-	-	-	-	1

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**Annexure 1A (continued)**

Name of municipality	Grant allocation				Transfer		Spent			2006/07
	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
Uthungulu District Municipality	-	-	-	-	-	-	-	-	-	1
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	-	1
Kgalagadi District Municipality	-	-	-	-	-	-	-	-	-	1
Cape Winelands District Municipality	-	-	-	-	-	-	-	-	-	1
Uthukela Reg Council South	-	-	-	-	-	-	-	-	-	1
Zululand District Municipality	-	-	-	-	-	-	-	-	-	1
Alfred NZO District Municipality	-	-	-	-	-	-	-	-	-	1
Kei Dist Council	-	-	-	-	-	-	-	-	-	2
Central District Municipality	-	-	-	-	-	-	-	-	-	7
Ilembe District Municipality	-	-	-	-	-	-	-	-	-	1
Nelson Mandela Metropol Municipality	-	-	-	-	-	-	-	-	-	8
Vhembe District Municipality	-	-	-	-	-	-	-	-	-	2
Sekhukhune Cross Bound District Municipality	-	-	-	-	-	-	-	-	-	1
Fines and Penalties Municipality Agency	-	-	-	-	-	-	-	-	-	1
<b>Total</b>	-	-	-	-	-	-	-	-	-	<b>284</b>

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**Annexure 1B**  
**Statement of transfers to departmental agencies and accounts**

Department/ Agency/ Account	Transfer allocation				Transfer		2006/07
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Final appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Compensation Fund	10 000	-	-	10 000	5 898	59.0	9 500
Unemployment Insurance Fund	1	-	-	1	-	0.0	1
Commission for Conciliation, Mediation and Arbitration	265 001	-	5 645	270 646	270 646	100.0	244 714
Productivity SA	26 637	-	-	26 637	26 637	100.0	25 369
National Skills Fund	44 799	-	-	44 799	44 799	100.0	42 666
Strengthen Civil Society Development Institute for Training, Support and Education for Labour (DITSELA)	9 919	-	-	9 919	9 919	100.0	9 447
National Economic Development and Labour Council (NEDLAC)	13 348	-	-	13 348	13 348	100.0	12 712
National Qualifications Framework	-	-	-	-	-	0.0	4 000
Statutory:							
Sector Education and Training Authorities	5 027 445	-	-	5 027 445	5 027 445	100.0	4 262 741
National Skills Funds (20%)	1 256 861	-	-	1 256 861	1 256 861	100.0	1 065 686
<b>Total</b>	<b>6 654 011</b>	<b>-</b>	<b>5 645</b>	<b>6 659 656</b>	<b>6 655 553</b>		<b>5 676 836</b>

**Annexure 1C**  
**Statement of transfers/subsidies to public corporations and private enterprises**

Name of public corporation/private enterprise	Transfer allocation				Expenditure				2006/07
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Capital	Current	Final appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public corporations</b>									
Umsobomvu Youth Fund	400 000	-	-	400 000	400 000	100.0	-	400 000	-
<b>Total</b>	<b>400 000</b>	<b>-</b>	<b>-</b>	<b>400 000</b>	<b>400 000</b>		<b>-</b>	<b>400 000</b>	<b>-</b>



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**Annexure 1D**  
**Statement of transfers to foreign government and international organisations**

Foreign governments/ international organisations	Transfer allocation				Transfer		2006/07
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Final Appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
International Labour Organisation	7 000	-	-	7 000	6 837	97.7	6 410
Arlac	480	-	-	480	440	91.7	490
World Association of Public Employment Services (WAPES)	140	-	-	140	139	99.3	-
<b>Total</b>	<b>7 620</b>	<b>-</b>	<b>-</b>	<b>7 620</b>	<b>7 416</b>		<b>6 900</b>

**Annexure 1E**  
**Statement of transfers to non-profit institutions**

Non-profit institutions	Transfer allocation				Transfer		2006/07
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Final Appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
SA National Council for the Blind	237	-	-	237	232	97.9	226
Deaf Federation of South Africa	155	-	-	155	97	62.6	148
National Council for the Physical Disabled	191	-	-	191	182	95.3	182
Subsidised Workshops for the Blind	7 042	-	-	7 042	7 042	100.0	6 707
Subsidised Work-Centres for the Disabled	38 808	-	-	38 808	38 808	100.0	36 960
<b>Total</b>	<b>46 433</b>	<b>-</b>	<b>-</b>	<b>46 433</b>	<b>46 361</b>		<b>44 223</b>

**Annexure 1F**  
**Statement of transfers to households**

Households	Transfer allocation				Expenditure		2006/07
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Final Appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Resignation packages	902	-	2 443	3 345	3 335	99.7	1 948
<b>Total</b>	<b>902</b>	<b>-</b>	<b>2 443</b>	<b>3 345</b>	<b>3 335</b>		<b>1 948</b>

**Annexure 2A**

**Statement of financial guarantees issued as at 31 March 2008 – Local**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2007	Adjustment to opening balance	Guarantees draw-downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Closing balance 31 March 2008	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Stannic	Motor vehicles	-	-	-	254	-	254	-
	<b>Housing</b>							
Standard Bank of SA Limited	Housing loan guarantee	2 025	2 025	12	105	(208)	1 934	-
Nedbank Limited (fomer Cape of Good Hope)	Housing loan guarantee	15	15	-	-	-	15	-
Nedbank Limited	Housing loan guarantee	1 729	1 729	(6)	42	(77)	1 688	-
Firststrand Bank Limited: First National Bank	Housing loan guarantee	1 952	1 952	(65)	32	(207)	1 712	-
Nedbank LTD Incorporating BOE	Housing loan guarantee	53	53	(1)	-	(43)	9	-
ABSA	Housing loan guarantee	3 839	3 839	(43)	17	(422)	3 391	-
Company Unique Finance	Housing loan guarantee	212	212	(14)	-	-	198	-
Old Mutual Finance Limited	Housing loan guarantee	85	85	(1)	-	(16)	68	-
Peoples Bank Limited (former FBC Fidelity Bank)	Housing loan guarantee	456	456	(15)	-	(47)	394	-
Nedbank Limited Incorporating NBS (former Peoples Bank NBS)	Housing loan guarantee	668	668	(7)	-	-	661	-
Firststrand Bank LTD (FNB-former Saambou)	Housing loan guarantee	1 058	1 058	(34)	35	(90)	969	-
Old Mutual Bank Div. of Nedbank (former PERM)	Housing loan guarantee	1 572	1 572	(69)	-	(92)	1 411	-
Future Bank Corporation Limited	Housing loan guarantee	14	14	-	-	-	14	-
Ithala Limited	Housing loan guarantee	43	43	-	-	-	43	-
Free State Development Corporation	Housing loan guarantee	98	98	-	15	-	113	-
VBS Mutual Bank	Housing loan guarantee	99	99	-	-	(17)	82	-
Mpumalanga Housing Finance Unibank	Housing loan guarantee	43	43	-	-	-	43	-
Albaraka Bank	Housing loan guarantee	11	11	-	-	-	11	-
ABSA Bank Limited(former Unibank)	Housing loan guarantee	13	13	-	-	-	13	-
BOE Bank Limited	Housing loan guarantee	19	19	-	-	-	19	-
SA Home loans (PTY)Ltd	Housing loan guarantee	34	34	-	-	-	34	-
Green Start Home Loans (PTY)Ltd	Housing loan guarantee	63	63	-	-	(30)	33	-
MEEG Bank	Housing loan guarantee	25	25	1	-	-	26	-
<b>Total</b>		<b>14 126</b>	<b>14 126</b>	<b>(242)</b>	<b>500</b>	<b>(1249)</b>	<b>13 135</b>	<b>-</b>

Department of Labour – Vote 16  
Annexures to the Annual Financial Statements for the year ended 31 March 2008

**Annexure 2B**  
**Statement of contingent liabilities as at 31 March 2008**

Nature of liability	Opening balance	Liabilities	Liabilities	Liabilities	Closing balance
	01/04/2007	incurred during the year	paid/cancelled/ reduced during the year	recoverable (provide details here under)	31/03/2008
	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
CJ Vries (12/5/1/17/LM)	1	-	-	-	1
AN Makhado (12/2/1/180/MT)	11	-	11	-	-
Glowing Sunset Trading (12/5/1/133/LM)	1	-	1	-	-
Specfire (Pty) Ltd (12/2/1/139/VZ)	23	-	23	-	-
Local News Network (Pty) Ltd (12/2/1/55/ZB)	4	-	-	-	4
AA Meyer (12/3/142/ZB)	47	-	47	-	-
Simages Int. Consulting (12/3/208/MT)	1 318	-	1 318	-	-
Francois and Other (12/5/1/294/VS)	2	-	2	-	-
Fernhill Hotel (12/1/5/317/NR)	-	20	-	-	20
D Ntombela (12/1/5/318/NR)	-	25	-	-	25
<b>Total</b>	<b>2 276</b>	<b>45</b>	<b>1 402</b>	<b>-</b>	<b>919</b>

Department of Labour – Vote 16  
Annexures to the Annual Financial Statements for the year ended 31 March 2008

**Annexure 3**  
**Inter-government receivables**

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2008	31/03/2007	31/03/2008	31/03/2007	31/03/2008	31/03/2007
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation Fund	51 273	2 038	-	-	51 273	2 038
Department of Correctional Service	42	19	-	-	42	19
Department of Agriculture	95	34	-	-	95	34
Department of Education	23	10	-	-	23	10
Department of Foreign Affairs	6	595	-	-	6	595
Department of Health	74	35	-	-	74	35
Department of Justice	-	77	-	-	-	77
Department of Public Works	87	65	-	-	87	65
Department of Traditional and Local Government Affairs	13	13	-	-	13	13
Department of Environment and Tourism	-	19	-	-	-	19
Gauteng Shared Services	12	12	-	-	12	12
Government Pension Fund	-	1	-	-	-	1
Independent Complaints Direct	-	6	-	-	-	6
KwaZulu-Natal Provincial Government	33	33	-	-	33	33
L/C KN Dundee	29	29	-	-	29	29
National Prosecuting Authority	17	16	-	-	17	16
National Skills Fund (NSF)	8 406	290	-	-	8 406	290
The Presidency	24	36	-	-	24	36
Department of Public Service and Administration	-	11	-	-	-	11
SAMDI	-	29	-	-	-	29
Unemployment Insurance Fund	-	24	-	-	-	24
Department of Home Affairs	6	-	-	-	6	-
Department of Transport	16	-	-	-	16	-
Department of Water Affairs and Forestry	34	-	-	-	34	-
Provincial Office: Bloemfontein	13	-	-	-	13	-
Department of Minerals and Energy	12	-	-	-	12	-
South African Police Service	5	-	-	-	5	-
Department of Provincial and Local Government	21	-	-	-	21	-
<b>Total</b>	<b>60 241</b>	<b>3 392</b>	<b>-</b>	<b>-</b>	<b>60 241</b>	<b>3 392</b>

Department of Labour – Vote 16  
Annexures to the Annual Financial Statements for the year ended 31 March 2008

**Annexure 4**  
**Inter-government payables**

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2008	31/03/2007	31/03/2008	31/03/2007	31/03/2008	31/03/2007
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
<b>Current</b>						
Justice	-	-	408	44	408	44
Public Works	-	-	-	12 317	-	12 317
Communications	964	-	-	-	964	-
Compensation Fund	1	-	-	-	1	-
<b>Total</b>	<b>965</b>	<b>-</b>	<b>408</b>	<b>12 361</b>	<b>1 373</b>	<b>12 361</b>
<b>Other government entity</b>						
<b>Current</b>						
Government Printing Works	-	-	-	234	-	234
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>234</b>	<b>-</b>	<b>234</b>

Sheltered Employment Factories  
Annual Financial Statements for the year ended 31 March 2008

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Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2008

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SHELTERED EMPLOYMENT FACTORIES FOR THE YEAR ENDED 31 MARCH 2008**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Sheltered Employment Factories which comprise the balance sheet as at 31 March 2008, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 133 to 148.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice 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
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

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 the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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.

### Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2008

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6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

8. The trading entity's policy is to prepare financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in a manner required by the PFMA, as set out in note 1 to the financial statements.

#### **Opinion**

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sheltered Employment Factories as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the PFMA

#### **Emphasis of matter**

Without qualifying my opinion, I draw attention to the following matter:

#### **Highlighting critically important matters presented or disclosed in the financial statements**

10. As disclosed in note 15.2 to the financial statements, SEF incurred irregular expenditure of R9, 5 million during the year under review.

#### **Significant uncertainties**

11. Included in the provision for impairment was an amount of R570 209 that related to cheques fraudulently cashed by unknown parties. We were not able to determine the recoverability of these amounts. The SEF has reported the matter to the South African Police Services and the third parties involved.

#### **OTHER MATTERS**

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### **Matters of governance**

12. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:



## Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2008

Matter of governance	Yes	No
<b>Audit committee</b>		
The trading entity had an audit committee in operation throughout the financial year.	✓	
The audit committee operates in accordance with approved, written terms of reference.	✓	
The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10/27.1.8.	✓	
<b>Internal audit</b>		
The trading entity had an internal audit function in operation throughout the financial year.	✓	
The internal audit function operates in terms of an approved internal audit plan.	✓	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2/27.2.	✓	
<b>Other matters of governance</b>		
The annual financial statements were submitted for auditing as per the legislated deadlines section 40 of the PFMA for departments and constitutional institutions.	✓	
The financial statements submitted for auditing were not subject to any material amendments resulting from the audit.	✓	
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
The prior year's external audit recommendations have been substantially implemented.	✓	

### OTHER REPORTING RESPONSIBILITIES

#### REPORT ON PERFORMANCE INFORMATION

13. I have reviewed the performance information as set out on page 41.

#### Responsibility of the accounting officer for the performance information

14. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the trading entity.

#### Responsibility of the Auditor-General

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

#### Audit findings (performance information)

17. The findings relating to the performance information of the Sheltered Employment Factories are as follows and will also be contained in the department's audit report on performance information as it is currently managed, controlled and reported under the sub-programme within the Department of Labour.

Lack of systems for generating performance information.

18. It was not possible to obtain sufficient appropriate audit evidence in relation to the performance information of the Sheltered Employment Factories, as the system used for generating information

## Annual Report

### Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2008

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was not adequate.

#### APPRECIATION

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

*Auditor-General*

Pretoria

31 July 2008



AUDITOR-GENERAL

**Sheltered Employment Factories**  
 Report of the Accounting Officer for the year ended 31 March 2008

**Nature of operations**

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 1 100 factory workers currently employed, some 80% are mentally challenged. The factories are open to all races.

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 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 develop options for an appropriate legal and corporate form for the entity and a transformation plan that will align with Government's National Integrated Disability Strategy.

**Results of operations**

The results of the operations are summarised in the Income Statement 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 Auditor-General will continue as Auditor of the Sheltered Employment Factories.

**SCOPA Resolutions**

Reference to previous audit report and SCOPA resolutions	Subject	Findings/progress
SCOPA report	<b>Supply Chain</b>	
	No competitive bids.	<p>There are limited local suppliers of major raw materials.</p> <p>A composite advertisement was published in major newspapers inviting prospective suppliers of all materials to register on the database.</p> <p>As in the past there are always at least three quotes obtained for any purchase from known suppliers.</p> <p>A detailed set of specifications have been compiled for submission to the Department of Labour's Subtender Committee for approval to publish in the Government Tender Bulletin.</p> <p>Evaluated and approved suppliers will be captured on the data base.</p>

Sheltered Employment Factories  
Report of the Accounting Officer for the year ended 31 March 2008

Reference to previous audit report and SCOPA resolutions	Subject	Findings/progress
	No valid transport contract.	<p>A transport agreement has been in place for eight years.</p> <p>A tender was advertised in August 2007. Adjudication was completed in March 2008 by the Department of Labour's Supply Chain Management Unit, but the recommendation was that it must be re-advertised.</p> <p>The current arrangement with the transporter was extended to 31 March 2008 and thereafter on a month by month basis with the proviso that a calendar months notice will be given of the intention to terminate.</p>
SCOPA report	<b>Misstatement of fixed assets</b>	
	Availability of skilled staff.	<p>A project to restructure the factories is under way with assistance from the National Treasury.</p> <p>Population of organisational 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>A new fixed asset register has been compiled and all assets bar-coded.</p> <p>A policy is in place to reconcile fixed assets on a quarterly basis and to identify assets to be impaired.</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 and is being applied and asset values are correctly reported in the annual Financial Statements.</p>

**Approval**

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



L Kettledas  
Acting Director-General of Labour

30 May 2008

Sheltered Employment Factories  
Balance Sheet for the year ended 31 March 2008

	Notes	2007/08 R'000	2006/07 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	10 367	13 133
<b>Current assets</b>			
Inventories	2	18 759	18 082
Trade and other receivables	3	8 815	11 487
Cash and cash equivalents	4	248	11 008
<b>Total assets</b>		<b>38 189</b>	<b>53 710</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Accumulated funds		21 056	47 186
<b>Non-current liabilities</b>			
Finance lease liabilities	5	242	206
<b>Current liabilities</b>			
Short-term portion of finance lease liabilities	5	88	70
Trade and other payables	6	16 803	6 248
<b>Total equity and liabilities</b>		<b>38 189</b>	<b>53 710</b>

Sheltered Employment Factories  
Income Statement for the year ended 31 March 2008

	Notes	2007/08	2006/07
		R'000	R'000
Revenue	7	38 970	45 028
Cost of sales		(87 424)	(83 095)
Gross deficit		(48 454)	(38 067)
Administrative expenses		(4 233)	(2 441)
Other operating expenses		(12 359)	(9 354)
Operating deficit before interest income and Parliamentary allocation	8	(65 046)	(49 862)
Finance charges		(44)	(27)
Interest income		129	389
Other income		23	-
Parliamentary allocation		38 808	45 460
<b>Net surplus/(deficit) for the year</b>		<b>(26 130)</b>	<b>(4 040)</b>

Sheltered Employment Factories  
Statement of Changes in Equity for the year ended 31 March 2008

	Notes	2007/08 Accumulated funds	2006/07 Total
		R'000	R'000
<b>Balance at 1 April 2006</b>		<b>51 226</b>	51 226
Net deficit for the year		<b>(4 040)</b>	(4 040)
<b>Balance at 31 March 2007</b>		<b>47 186</b>	47 186
Net deficit for the year		<b>(26 130)</b>	(26 130)
<b>Balance at 31 March 2008</b>		<b>21 056</b>	21 056

Sheltered Employment Factories  
Cash Flow Statement for the year ended 31 March 2008

	Notes	2007/08	2006/07
		R'000	R'000
<b>Cash flow from operating activities</b>		<b>(10 409)</b>	<b>(5 151)</b>
Cash receipts from customers		41 663	43 293
Cash paid to suppliers and employees		(90 965)	(94 266)
Cash deficit from operations	9	(49 302)	(50 973)
Parliamentary allocation		38 808	45 460
Interest received		129	389
Finance charges		(44)	(27)
<b>Cash flow from investing activities</b>		<b>(405)</b>	<b>(1 767)</b>
Purchase of fixed assets		(405)	(1 767)
<b>Cash flow from financing activities</b>		<b>54</b>	<b>95</b>
Increase in finance lease liabilities		142	189
Repayment of finance lease liabilities		(88)	(94)
Net increase/(decrease) in cash and cash equivalents		(10 760)	(6 823)
Cash and cash equivalents at beginning of year		11 008	17 831
Cash and cash equivalents at end of year		248	11 008



## Sheltered Employment Factories Summary of Accounting Policies for the year ended 31 March 2008

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1 Basis of preparation

The Financial Statements of the Sheltered Employment Factories (SEF) have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). The Financial Statements have been prepared on the historical cost basis except where disclosed otherwise in the notes below.

#### 1.1 New accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations

##### a) Standards, amendments and interpretations effective in 2008

IFRS 7, 'Financial Instruments, Disclosures', and the complementary amendment to (IAS 1, 'Presentation of Financial Statements Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the SEFs financial instruments, or the disclosures relating to trade and other receivables and trade and other payables.

##### b) Standards, amendments and interpretations effective in 2008, but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the SEFs' operations:

- IFRS 4, "Insurance contracts"
- IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies"
- IFRIC 9, "Re-assessment of embedded derivatives".

IFRIC 8, "Scope of IFRS2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the SEFs' Financial Statements.

IFRIC 10, Interim financial reporting and impairment", prohibits the impairment recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the SEFs' Financial Statements.

##### c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the SEF.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the SEFs' accounting periods beginning on or after 1 January 2008 or later periods, but the SEF has not early adopted them:

IAS 23 (Amendments), "Borrowing costs" (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment with the requirements of the US standard SFAS 131. "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The SEF will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

Sheltered Employment Factories  
Summary of Accounting Policies for the year ended 31 March 2008

**d) Interpretations to existing standards that are not yet effective and not relevant for the SEFs' operations**

The following interpretations to existing standards have been published and are mandatory for the SEFs' accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the SEFs' operations:

IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008), IFRIC 1 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the SEFs' operations because none of the SEFs' factories operate any loyalty programmes.

IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset or liability may be affected by statutory or contractual minimum funding requirement.

**2 Significant accounting judgements and estimates**

The preparation of Financial Statements in conformity with SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the SEFs' accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The SEFs make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual Financial Statements, are disclosed below.

**Critical judgements in applying the SEFs' accounting policies**

Inventory

Work in progress is valued, based on the stage of completion of the goods, adding a percentage to the direct costs to account for overheads. These percentages range from 8.7% (2007, 8.7%) to 120% (2007, 120%) of the direct costs. The total costs are considered to be less than the net realisable value of the inventory.

**Critical accounting estimates and assumptions**

Depreciation

During each financial year, management reviews the assets within property, plant and equipment to assess whether the useful lives and residual values applicable to each asset are appropriate.

**3 Property, plant and equipment**

The SEFs does not own any land or buildings. All plant and equipment is stated at historical cost less depreciation. Historical cost includes expending that is directly attributable to the acquisition of the items.

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 SEFs and the cost of the item can be measured reliably. 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.

Depreciation on assets is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

## Sheltered Employment Factories

### Summary of Accounting Policies for the year ended 31 March 2008

Plant and machinery	10 to 15 years
Computer equipment	3 years
Office machines and equipment	8 to 10 years
Furniture and fittings	10 to 15 years
Appliances	5 to 8 years
Leased assets	3 to 5 years

Minor assets are written-off in the year of purchase.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised under other income in the Income Statement.

#### **4 Impairment of non-financial assets**

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are identified at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal for the impairment at each reporting date.

#### **5 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and costs to be incurred in marketing, selling and distribution. Cost is determined on the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads allocated as a percentage of direct costs. 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.

#### **6 Financial assets**

The SEFs classifies its financial assets as "loans and receivables". Management determines the classification of its financial assets at initial recognition.

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 after the reporting date. These are classified as non-current assets. Loans and receivables are described as "trade and other receivables" in the Balance Sheet.

Financial assets acquired or disposed are recognised on the date which the SEFs commits to the transaction. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the SEFs has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

#### **7 Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for credit losses. A provision for credit losses is established when there is objective evidence that the SEFs will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income Statement within "Administrative expenses". When a trade receivable is

Sheltered Employment Factories  
Summary of Accounting Policies for the year ended 31 March 2008

uncollectible, it is written off against the provision account. Subsequent recovery of amounts previously written off are credited against operating costs in the Income Statement.

**8 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and cash at banks. For the purpose of the Cash Flow Statement cash and cash equivalents comprise cash on hand and cash held at banks.

**9 Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**10 Retirement benefits**

Payments to defined contribution 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 SEFs' obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan. The SEFs are also liable for other post retirement benefits, such as accumulated leave, to which the workers become entitled to at retirement.

**11 Accounting for leases**

Leases of property, plant and equipment where SEFs assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated fair value of the leased assets, or, if lower, the present value of the underlying lease payments. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the lease installment is charged to the Income Statement over the lease period. The property, plant and equipment thus acquired are depreciated over the term of the lease.

Leases of assets, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payments required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**12 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the SEFs' activities. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the SEFs and the revenue can be reliably measured.

**Sale of goods**

The SEFs operate from various manufacturing locations from which manufactured goods including wood and metal furniture, linen and bedding, upholstery and bookbinding are sold. Sale of goods is recognised when a product is delivered to the customer.

**Interest income**

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the SEFs.

**13 Parliamentary allocations**

Parliamentary allocations are recognised at their fair value where there is a reasonable assurance that the allocation will be received.

**14 Related parties**

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

Sheltered Employment Factories  
Notes to the Annual Financial Statements for the year ended 31 March 2008

**1. Property, plant and equipment**

	Office machinery and equipment	Plant and machinery	Computer equipment	Furniture and fittings	Appliances	Leased assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Year ended 31 March 2008</b>							
Opening carrying amount	336	11 248	798	465	24	262	13 133
Additions	18	167	40	21	17	142	405
Disposals	-	(1)	(1)	-	(1)	(2)	(5)
Impairment of assets	(21)	(1 203)	(4)	-	-	-	(1 228)
Depreciation	(59)	(1 332)	(378)	(59)	(12)	(98)	(1 938)
Closing carrying amount	274	8 879	455	427	28	304	10 367
Cost	458	14 307	1 453	730	63	577	17 588
Accumulated depreciation	(184)	(5 428)	(998)	(303)	(35)	(273)	(7 221)
<b>Year ended 31 March 2007</b>							
Opening carrying amount	256	11 754	500	410	15	161	13 096
Additions	127	658	681	97	14	190	1 767
Disposals	-	-	-	-	-	(5)	(5)
Depreciation	(47)	(1 164)	(383)	(42)	(5)	(84)	(1 725)
Closing carrying amount	336	11 248	798	465	24	262	13 133
Cost	483	16 037	1 737	709	50	508	19 524
Accumulated depreciation	(147)	(4 789)	(939)	(244)	(26)	(246)	(6 391)

Leased assets are encumbered by financial lease liabilities. Refer note 5.

Assets that were no longer functional or useable, being either irreparable or not economically repairable were identified by a formal process for impairment and approved by a Disposal Committee. The recoverable amount was based on fair value less costs to sell. Expert knowledge of members of the Disposal Committee was used to determine fair value.

	2007/08	2006/07
	R'000	R'000
<b>2. Inventories</b>		
Raw materials	16 471	13 189
Work in progress	1 911	2 016
Finished goods	4 665	5 708
Provision for obsolete stock	(4 288)	(2 831)
	<u>18 759</u>	<u>18 082</u>
<b>3. Trade and other receivables</b>		
Trade debtors	22 357	23 264
Sundry debtors	5	3
Unpaid cheques	570	570
VAT	134	324
Provision for credit losses	(14 251)	(12 674)
	<u>8 815</u>	<u>11 487</u>

Sheltered Employment Factories  
Notes to the Annual Financial Statements for the year ended 31 March 2008

	2007/08	2006/07
	R'000	R'000
Trade debtors have credit terms of 30 days. Credit terms for other receivables are negotiated on an immediate settlement basis depending on the merits of each receivable.		
Movements in the provision for credit losses were as follows:		
Opening balance	(12 674)	(13 753)
Charged to Income Statement	(1 577)	1 079
	<u>(14 251)</u>	<u>(12 674)</u>
Trade debtors and unpaid cheques have been impaired. The other classes within trade and other receivables do not contain impaired items. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.		
<b>The fair value of trade receivables net of the provision for credit losses is as follows:</b>		
<b>Trade receivables</b>	<u>8 676</u>	<u>10 590</u>
As at 31 March 2008, trade receivables of R13,682,000 (2007: R12,674,000) were impaired and provided for. The individually impaired receivables mainly relate to government debtors, which are in difficult administrative situations. It was assessed that a portion of the receivables is expected to be recoverable.		
The ageing of these debtors are as follows:		
0 – 4 months	8 676	10 590
Over 4 months	13 681	12 674
	<u>22 357</u>	<u>23 264</u>
The carrying amount of the SEFs' trade and other receivables are denominated in South African Rands (ZAR)		
<b>4. Cash and cash equivalents</b>		
Bank balances – call account	7	8 504
Bank balances – current account	218	2 481
Petty cash	23	23
	<u>248</u>	<u>11 008</u>
All the bank balances are neither past due nor impaired. Analysis by credit quality of bank balances is as follows:		
	<b>Balances payable on demand</b>	<b>Balances payable on demand</b>
<b>Current and call accounts</b>	<u>225</u>	<u>10 985</u>
	<u>225</u>	<u>10 985</u>
<b>5. Finance lease liabilities</b>		
Opening balance	276	181
New agreements entered	142	189
Repayments	(88)	(94)
Closing balance	<u>330</u>	<u>276</u>
Short-term portion transferred to current liabilities	(88)	(70)
Long-term portion transferred to non-current liabilities	<u>242</u>	<u>206</u>

The weighted average effective interest rate is 13,75% (2007: 12,9%) Finance leases are secured by assets with a closing carrying amount of R312,000 (2007: R262,000)

Sheltered Employment Factories  
Notes to the Annual Financial Statements for the year ended 31 March 2008

Reconciliation of minimum lease payments	Minimum payments	Finance charges	Present value of minimum payments
Less than one year	123	(35)	88
Two to five years	285	(43)	242
	<u>408</u>	<u>(78)</u>	<u>330</u>

**6. Trade and other payables**

	2007/08	2006/07
	R'000	R'000
Accruals	99	1 837
Accumulated leave due to staff	1 933	1 948
Prepayments from debtors	318	202
Outstanding cheques	16	8
Sundry creditors	294	297
Trade accruals	250	203
Trade creditors	13 450	822
Unallocated receipts from debtors	16	58
Unpaid cheque control	427	873
	<u>16 803</u>	<u>6 248</u>

The credit terms for trade creditors are negotiated on the 30 day settlement basis. Other accruals are settled on merits.

	2007/08	2006/07
	R'000	R'000
<b>7. Revenue</b>		
Sale of goods	<u>38 970</u>	<u>45 028</u>

**8. Operating deficit before interest income and Parliamentary allocation**

Operating deficit before interest income and Parliamentary allocations is derived after taking the following into account:

Auditors remuneration	1 199	898
Depreciation	1 938	1 725
Plant and machinery	1 332	1 164
Computer equipment	378	383
Office machines and equipment	59	47
Furniture and fittings	59	42
Appliances	12	5
Leased assets	98	84
Professional services	185	980
Operating lease – Factory rental	199	202
Staff costs	8 090	7 729

Sheltered Employment Factories  
Notes to the Annual Financial Statements for the year ended 31 March 2008

	2007/08	2006/07
	R'000	R'000
<b>9. Cash deficit from operations</b>		
Reconciliation of net deficit cash deficit from operations:		
Net deficit	(26 130)	(4 040)
Adjusted for:		
Depreciation	1 938	1 725
Impairment of assets	1 228	-
Interest income	(129)	(389)
Financial costs	44	27
(Profit)/loss on disposal of asset	(2)	5
Assets written-off	5	-
Parliamentary allocation	(38 808)	(45 460)
	<b>(61 854)</b>	<b>(48 132)</b>
Working capital changes:		
(Increase)/decrease in inventories	(677)	(690)
(Increase)/decrease in accounts receivable	2 673	(1 735)
(Decrease)/ increase in accounts payable	10 556	(416)
Cash deficit from operations	<b>(49 302)</b>	<b>(50 973)</b>

**10. Related parties**

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

	2007/08	2006/07
	R'000	R'000
Parliamentary allocation	38 808	45 460
Sale of goods to related parties	33 071	41 754
Services provided by related parties	4 331	2 585
SARS - VAT	1 563	1 006
Workersmens Compensation	690	372
UIF	948	827
Telkom	1 120	372
Department - Public Works	-	1
Postmaster	10	7
Year-end balances arising from sales of goods to related parties	18 735	21 014
Impairment provision on year-end balances arising from sale of goods to related parties	10 380	10 180
Year-end balances arising from services provided by related parties	789	662
SARS - VAT	696	527
Workersmens Compensation	13	-
UIF	-	114
Telkom	80	21

The Comparative amounts have been adjusted to correct the total of services provided (previously: R5 345 000) and year-end balances arising (previously: R872 000), to only include related parties as defined by IAS 24(AC 126):Related parties as further explained by SAICA Circular 9, as noted above.



## Sheltered Employment Factories

### Notes to the Annual Financial Statements for the year ended 31 March 2008

	2007/08	2006/07
	R'000	R'000
<b>11. Contingencies</b>		
The SEFs has no contingencies		
<b>12. Commitments</b>		
Capital commitments		
The SEFs has no capital commitments.		
Operating lease commitments		
The SEFs leases various factory facilities, offices and warehouses under non-cancellable operating lease agreements from the Department of Public Works. These leases have indefinite terms.		
	2007/08	2006/07
	R'000	R'000
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	199	202
Later than one year and not later than five years	796	808
Later than five years	Indefinite	Indefinite
<b>13. Defined contribution plan</b>		
The SEFs contributes in part of the Temporary Employment Pension Fund (TEPF) for the benefit of employees. The SEFs liability is limited to its contributions.		
There are 120 employees (consisting of administrative staff and factory instructors) who are members of the TEPF in which the SEFs contribute 2.75% in every Rand contributed by the employees towards the TEPF		
Contributions for the year included in staff costs (note 8)	1500	1449
<b>14. Financial Risk Management</b>		
<b>14.1 Credit risk</b>		
Financial assets that potentially subject the SEFs to concentrations of credit risk consist principally of trade debtors. Trade creditors mainly consist 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.		
At 31 March 2008 the SEFs did not consider there to be any significant concentration of credit risk that had not been adequately provided for.		
<b>14.2 Interest rate risk</b>		
The SEFs are not exposed to significant interest rate risk.		
<b>14.3 Maintenance of capital</b>		
The primary objective of the SEFs' capital management is to ensure that it maintains its ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital. In order to maintain the capital structure, the SEFs are largely dependent on funding from the Department of Labour through parliamentary allocations, based on an approved budget submitted to the Department of Labour.		
<b>15. Irregular expenditure</b>		
<b>15.1 Reconciliation of irregular expenditure</b>		
Opening balance – Previous year	11 167	-
Irregular expenditure – Current year	9 504	11 167
<b>Irregular expenditure awaiting condonement</b>	<b>20 671</b>	<b>11 167</b>
<b>Analysis of awaiting condonement per classification</b>		
Current expenditure	9 504	11 167
	9 504	11 167
<b>Analysis of awaiting condonement per age classification</b>		
Current year	9 504	11 167
Prior year	11 167	-
	<b>20 671</b>	<b>11 167</b>

Sheltered Employment Factories  
Notes to the Annual Financial Statements for the year ended 31 March 2008

		2007/08	2006/07
		R'000	R'000
<b>15.2 Irregular expenditure</b>			
<b>Incident</b>	<b>Diciplinary steps taken/criminal proceedings</b>		
The transport contract was not awarded as required by Treasury Regulation 16A6.	N/A	5 721	6 795
No exemption was approved for deviation from the regulation for procurement of goods as required by Treasury Regulation 16A6.4.	N/A	3 783	4 372
		<b>9 504</b>	<b>11 167</b>

Request to grant condonation for the irregular expenditure incurred in procuring raw materials during the 2006/07 and 2007/08 financial year was submitted to National Treasury in a letter dated 25 July 2008. The condonation of the irregular expenditure has not yet been received.

Sheltered Employment Factories  
Detailed Income Statement for the year ended 31 March 2008

	2007/08	2006/07
	R'000	R'000
Revenue	38 970	45 028
<b>Cost of sales</b>	<b>(87 424)</b>	(83 095)
Gross deficit	<b>(48 454)</b>	(38 067)
<b>Interest income</b>	<b>129</b>	389
Interest received	34	316
Debtors finance charges	95	73
<b>Other Income</b>	<b>23</b>	-
Commission received	21	-
Profit on disposal	2	-
Parliamentary allocation	38 808	45 460
<b>Total (deficit)/income</b>	<b>(9 494)</b>	7 782
<b>Total expenses</b>	<b>(16 636)</b>	(11 822)
Accumulated leave expense	32	71
Administrative expenses	905	617
Audit fees	1 199	898
Bank charges	112	151
Depreciation	490	560
Finance charges	44	27
Loss on disposal of asset	-	5
Impairment of assets	1 228	-
Information technology expenses	138	-
Maintenance and repairs	61	101
Minor assets expenditure	117	185
Provision for impairment of debtors	1 578	(1 079)
Printing and stationary	404	469
Professional services	185	980
Personnel expenditure	8 038	7 729
Project costs expensed	738	-
Telecommunication	1 136	885
Transport and delivery costs	112	75
Travelling costs	119	148
<b>Net (deficit)/surplus for the year</b>	<b>(26 130)</b>	(4 040)

National Skills Fund  
Annual Financial Statements for the year ended 31 March 2008

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Report of the Auditor-General to Parliament on the Financial Statements and Performance Information of the National Skills Fund for the year ended 31 March 2008

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL SKILLS FUND FOR THE YEAR ENDED 31 MARCH 2008**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the National Skills Fund which include the statement of financial position as at 31 March 2008, statement of financial performance, and statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 155 to 177.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and section 29(1)(c) of the Skills Development Act, 1998 (Act No. 97 of 1998). 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
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

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 the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Basis of accounting**

8. The National Skills Fund's policy is to prepare financial statements on the modified cash basis of accounting determined by National Treasury, as set out in the accounting policy note 1 to the financial statements.

### Report of the Auditor-General to Parliament on the Financial Statements and Performance Information of the National Skills Fund for the year ended 31 March 2008

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#### Basis for qualified opinion

##### 9. Commitments

I could not obtain sufficient appropriate audit evidence to confirm the existence, valuation and completeness of commitments amounting to R1.544 billion (2007: R 745 million) as per note 14 to the annual financial statements. The Fund's records did not permit the application of alternative audit procedures with regard to commitments because of inadequate systems and lack of proper documentation to support the amount of commitments disclosed.

##### 10. Advances

I was unable to confirm the existence, valuation and completeness of the advances amounting to R10.714 million (2007: R2million) as per note 9 to the annual financial statements. Due to the limitations in the accounting system and lack of appropriate documentation, I could not perform alternative procedures.

#### Qualified opinion

11. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Skills Fund as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in the accounting policy note 1 to the financial statements and in the manner required by the Public Finance Management Act.

#### Emphasis of matter

I draw attention to the following matters:

#### Highlighting critically important matters presented or disclosed in the financial statements

Amendments to the applicable basis of accounting

12. The fund must be listed as a public entity in terms of the Skills Development Act (1999). In terms of Treasury regulation 28.1.6 a public entity is required to prepare financial statements in accordance with the South African Statements of General Accepted Accounting Practice. As disclosed in note 19 of the financial statements, National Treasury approved the deviation from the prescribed basis of accounting in a letter addressed to the fund, date 31 March 2008. Therefore, the entity prepared financial statements in accordance with the modified cash basis of accounting.

This exemption was granted for the 2007/08 financial year only. Thereafter, the NSF must ensure compliance with the appropriate reporting framework for listed public entities.

Irregular expenditure

13. As disclosed in note 21 to the financial statements, irregular expenditure to the amount of R273.111 million (2007: R279.119 million) was incurred, as the procurement process was not aligned to the supply chain management requirements.

#### OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### Internal controls

14. Section 51(1)(a)(i) of the PFMA states that the accounting officer must ensure that the National Skills Fund has and maintains effective, efficient and transparent systems of financial and risk management

## Report of the Auditor-General to Parliament on the Financial Statements and Performance Information of the National Skills Fund for the year ended 31 March 2008

and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Commitments	✓		✓		✓
Advances	✓		✓		✓
<b>Control environment:</b> establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting					
<b>Risk assessment:</b> involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.					
<b>Control activities:</b> policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.					
<b>Information and communication:</b> supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.					
<b>Monitoring:</b> covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.					

### Non-compliance with applicable legislation

#### 15. PFMA/Regulations

- Section 16A3.1 of the Treasury Regulations – Procurement process was not followed for expenditure incurred under the Social Development Initiative Funding Window.

#### 16. Skills Development Levies Act, 1998 (Act No. 97 of 1998) (SDL Act)

- Sections 6(3) and 6(4) of the Skills Development Levies Act – Interest was charged on amounts overpaid to the NSF. The SDL Act does not provide for the payments of interest on amounts overpaid.

### Matters of governance

17. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The National Skills Fund had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10	✓	
<b>Internal audit</b>		
• The National Skills Fund had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2	✓	

## Annual Report

### Report of the Auditor-General to Parliament on the Financial Statements and Performance Information of the National Skills Fund for the year ended 31 March 2008

Matter of governance	Yes	No
<b>Other matters of governance</b>		
The annual financial statements were submitted for audit as per the legislated deadlines section 55 of the PFMA.	✓	
The financial statements submitted for auditing were not subject to any material amendments resulting from the audit.		✓
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		✓
The prior year's external audit recommendations have been substantially implemented.		✓
SCOPA resolutions have been substantially implemented.		✓

#### OTHER REPORTING RESPONSIBILITIES

##### REPORT ON PERFORMANCE INFORMATION

18. I have reviewed the performance information as set out on pages 43 to 48.

##### Responsibility of the accounting officer for the performance information

19. The accounting officer has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

##### Responsibility of the Auditor-General

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

##### Audit findings (performance information)

23. The findings relating to the performance information of the National Skills Fund are as follows and will also be contained in the departments audit report on performance information as it is currently managed, controlled and reported under the sub-programme within the Department of Labour.

##### Lack of systems for generating performance information

24. It was not possible to obtain sufficient appropriate audit evidence in relation to the performance information of the National Skills fund, as the system used for generating information was not adequate.

##### APPRECIATION

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

*Auditor - General*

Pretoria  
31 July 2008





National Skills Fund  
Report of the Accounting Officer for the year ended 31 March 2008

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

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

The primary objective of the National Skills Fund (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 of these funds. These might include the Human Resource Development (HRD) Strategy; growth, employment and investment strategies and social development priorities.

The Minister of Labour launched the first NSDS in February 2001. The Strategy seeks to address the structural deficiencies of the labour market, and develop a workforce that can respond to the modern economic environment, taking into account the equity considerations that are peculiar to South Africa. The second phase of the Strategy, NSDS 2005-2010 was launched in March 2005, and has five objectives, namely:

- Prioritising and communicating critical skills for sustainable growth, development and equity
- Promoting and accelerating quality training for all in the workplace
- Promoting employability and sustainable livelihoods through skills development
- 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
- Improving the quality and relevance of provision.

The following equity targets have been adopted for the beneficiaries of learning programmes across the five objectives:

- 85% black (includes Indians, Coloureds and Africans)
- 54% female
- 4% people with disabilities.

Under each of the five objectives of the NSDS, the expected contribution of the NSF towards the achievement of the NSDS targets are broadly indicated under the levers linked to each indicator. The identification of NSF funding windows is directly derived from the levers, as well as the cross-cutting NSDS principles.

The NSDS objectives and targets identify broad areas in which interventions should happen. Some of these objectives and targets clearly fall within the core functions of the Sector Education and Training Authorities (SETAs) and should be financed from the 80% of the skills levy transferred to them, but others could arguably extend (in part or in full) beyond this into the sphere of national priority. However, it should be noted that these objectives and targets do not specify the sector, province or locality that must be targeted for funding from the NSF. To be able to get closer to determining which sectors or beneficiaries groups to target, the NSF needs to consider key macro-economic strategies and other national imperatives of government. In this case Provincial Skills Growth and Development Strategies (PGDS), Sector Skills Plans (SSPs), National Scarce Skills List and Provincial Skills Plans (PSPs) need to be considered.

During the Medium Term Expenditure Framework (MTEF) period a large part of the programmatic work of

the NSF will be directed by the objectives set in the NSDS 2005-2010.

### **Key policy development and legislative changes**

Over the MTEF period the NSF will continue to pursue goals and targets set in the NSDS for 2005-2010. These are actualised through various training interventions flowing from the following funding windows:

#### ***Social Development Initiatives Funding Window***

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

In the case of the Social Development Initiatives 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, which the training is intended for, 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 completed.

#### ***ABET (adult basic education and training) 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.

#### ***Critical Skills Support Funding Window***

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

#### ***Provisioning Support Funding Window***

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

#### ***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.

#### ***Informal Sector Support Funding Window***

Objective 3 of the NSDS speaks to the promotion of employability and sustainable livelihoods through skills development. In line with the afore mentioned, the NSF through this funding window will support the NSDS indicator 3.2 through skills development support to non-levy paying enterprises,

National Skills Fund  
Report of the Accounting Officer for the year ended 31 March 2008

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Non-governmental Organisations (NGOs), Community Based Organisations (CBOs) and Community-based Co-operatives.

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

### ***Constituency Capacity Building and Advocacy Funding Window***

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

### ***Special Projects Funding Window***

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

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

### ***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.

### ***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 budget across a number of selected funding windows and is primarily targeted at projects supporting implementation of Provincial Growth and Development Strategies.

### ***Legislation***

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

- 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 which do not fall under the jurisdiction of a SETA
- money appropriated by Parliament for the Fund
- interest earned on investments
- donations to the Fund
- money 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

### National Skills Fund Report of the Accounting Officer for the year ended 31 March 2008

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government, organised business, organised labour, education and training providers and community constituency representatives.

#### **Outcomes**

##### **Social Development Initiatives**

From April 2007 to March 2008 the NSF trained a total of 101 924 unemployed people through various skills intervention programmes. Beneficiaries were drawn from key government projects such as Extended Public Works Programme (EPWP), Working for Water and other provincial economic initiatives. Of the total trained 71 054 (70%) were placed in projects that allowed them to consolidate the skills gained through practical work.

##### **ABET**

Under the ABET programme the NSF targeted unemployed beneficiaries with low levels of literacy. A total of 19 987 unemployed learners went through a number of ABET programmes at Levels 1 to 4 during the reporting period. At the same time the NSF began work around preparing for the second phase of this programme and projects which increased the intake with 49 000 learners.

##### **Critical Skills Programme**

Under this programme the NSF assists new entrants to the labour market through a range of accredited and work-based programmes to improve their entry into formal employment or self-employment. Programmes under this category are implemented primarily with SETAs and the NSF contributed to the overall output of 56 344 learners entering accredited and work-based learning programmes. The NSF also provided bursaries to assist a further 1 179 and 1 194 undergraduate and post graduate students respectively.

##### **Industry Support Programme**

This programme benefited a total of 2 368 new workers through training grants under the incentives scheme for new investments.

##### **Informal Sector Support Programme**

The programme benefits non-levy paying enterprises primarily NGOs, CBOs, and Community based Cooperatives. For the reporting period a total of 3 783 beneficiaries have been selected to participate in various capacity building and mentoring initiatives that started in the last quarter of the 2007/08 financial year.

##### **Strategic Projects Programme**

A total of 7 400 learners have been recruited under this programme and benefited from a number of interventions including learnerships, apprenticeships, bursaries and internships. The programme involves projects in the nine provincial governments that will be implemented until December 2009.

The other funding areas of the NSF do not have specific targets but provide important support to the objectives of the NSDS 2005-2010.

##### **Reason for under-spending**

Most of the training projects span over a number of financial years that include an initial set-up phase before active implementation starts. The NSF expects that spending rates will improve over the MTEF

National Skills Fund  
Report of the Accounting Officer for the year ended 31 March 2008

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period when most of the projects enter their final stages of implementation.

## 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 the following:

- Prioritising and communicating critical skills for sustainable growth, development and equity
- Promoting and accelerating quality training for all in the workplace
- Promoting employability and sustainable livelihoods through skills development
- 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
- Improving the quality and relevance of provision.

The above objectives are achieved through the training initiatives funded under the funding windows described in the preceding paragraphs.

## 3. Capacity constraints

Over the last two financial years the NSF has lost a number of skilled project managers to other departments. The NSF is reviewing its delivery model and this will include paying particular attention to adequate staffing.

## 4. Utilisation of donor funds

None

## 5. Trading entities/public entities

None

## 6. Organisations to whom transfer payments have been made

None

## 7. Public /private partnerships

None

## 8. Corporate governance arrangements

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

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

The Director-General is thus ultimately responsible and accountable to the Minister and Parliament for

### National Skills Fund Report of the Accounting Officer for the year ended 31 March 2008

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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.

#### Risk management

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

#### Fraud prevention

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

The established Audit Committee of the Department of Labour also addresses the activities related to the National Skills Fund.

#### Financial management

Separate expenditure accounts for the NSF have been created on the Basic Accounting System (BAS) and have been introduced with effect from 1 April 2004. A separate database has been created for the NSF and was implemented with effect from 1 April 2006. The NSF is now in the process of implementing SAP as an accrual accounting solution.

#### Other PFMA requirements

The NSF forms part of the Programme of the Employment and Skills Development Services of the Department of Labour 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 Department agreed with this recommendation and has begun implementing the recommendation, however, the entity did not have the necessary capacity to present its financial statements on an accrual basis. For this reason Treasury permission was requested and obtained to present the 2007/08 financial statements of the NSF on a modified cash basis
- **NSF Strategic Plan** – is derived from the Strategic Plan of the Department of Labour, which has been approved by the Executive Authority and tabled in the Legislature in terms of Treasury Regulation 5.2.1.
- **Quarterly reporting** – forms part of the quarterly reporting process on performance against the Strategic Plan of the Department of Labour. Furthermore the NSF submits quarterly reports on its cash-flow to National Treasury in the prescribed format and timeframes

National Skills Fund  
Report of the Accounting Officer for the year ended 31 March 2008

- **Actual revenue and expenditure projections** – the relevant information that forms part of the MTEF & ENE processes are submitted to the Chief Financial Officer of the Department of Labour in the prescribed format and timeframes
- **Annual report** – information with regard to the NSF are covered within the Annual Report of the Department of Labour
- **Annual report, financial statements and audit reports** – these reports form part of the Annual Report of the Department of Labour.

**9. Discontinued activities**

None

**10. New/proposed activities**

None

**11. Asset management**

The NSF does not own assets as it is a programme under the Department of Labour.

**12. Events after the reporting date**

None

**13. Other**

**Completeness of revenue**

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefit will flow to the NSF and these benefits can be measured reliably. This occurs when the Department of Labour either makes an allocation or payments, 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 of Labour is responsible for the first high-level verification to detect any material occurrences of levy payments variances, which is communicated to the NSF and South African Revenue Service (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 of Labour for further investigation with SARS, being the appointed levy collection agent.

**14. Performance Information**

The NSF is currently a programme within the Department of Labour 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 Department of Labour reports

National Skills Fund  
Report of the Accounting Officer for the year ended 31 March 2008

- 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 to bring performance on track
- The NSF is also part of the Annual Review and planning workshops (Executive managers up to the level of the Minister) where annual performance is discussed and planning for the new year is undertaken. This information forms part of the annual report of the NSF.

15. SCOPA resolutions

Reference to previous audit report and SCOPA resolutions	Subject	Findings/progress
SCOPA report – 5 of 2006.	<b>Structure and accountability of the National Skills Fund.</b>	The Department of Labour has taken a decision to list the NSF as a public entity. Necessary steps have been taken to start the process of listing.
SCOPA report – 5 of 2006.	<b>Accounting processes: Commitments.</b>	The NSF has implemented a system of grant confirmation in which third parties are requested to confirm agreement with the terms and conditions of grants - first at approval and secondly during changes to the project (which changes require approval by the NSF). All supporting documentation for the figures reflected as commitments is available.  A process to implement SAP as an accrual accounting solution has already started. The due-date for implementation of the first phase is 1 August 2008. The SAP system will provide valuable management information to monitor commitments.
SCOPA report – 5 of 2006.	<b>Bank and Cash.</b>	A separate database for the NSF on BAS and a separate bank account have been approved by National Treasury and were implemented effective from 1 April 2006.
SCOPA report – 5 of 2006.	<b>Accounts payable and receivable.</b>	The necessary corrective measures have been implemented to ensure that accounts payable and receivable are properly managed, and outstanding advances are regularly followed up. A detailed review of the balances on both accounts was instituted and compared against funds recovered from claims and actual advances granted. The remaining balance on accounts receivable (R 1,3 million) has been written-off after a thorough assessment of the probability of recovering the debt.
SCOPA report – 5 of 2006.	<b>Funds not utilised — MANDAB.</b>	Amended MANDAB regulations have been published on 1 December 2006 which will facilitate the allocation/spending of remaining uncommitted funds through the standard Social Development Funding Window (SDFW) disbursement mechanisms. The amendment to the regulations has eliminated the need for a separate MANDAB Steering Committee, as the Provincial Skills Development Forum will adjudicate on the allocation of the remaining funds, in line with the SDFW business rules.

Approval

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



Mr. L. Kettledas

Acting Director-General of Labour

Date: 30 May 2008



National Skills Fund  
Statement of Financial Performance for the year ended 31 March 2008

	Notes	2007/08	2006/07
		R'000	R'000
<b>Revenue</b>		1 562 413	1 286 150
Skills development levy income	1	1 256 861	1 065 686
State contribution	2	44 799	42 666
Investment income	3	249 525	145 829
Other income	4	11 228	31 969
<b>Expenses</b>		710 211	716 863
Operating expenses	5	641 726	644 415
Collection costs to SARS		52 471	57 685
Management fees and bank charges paid		730	500
2% Administration costs		12 902	11 782
Realised loss on investment	6	2 382	-
Amounts written off	7,9	-	2 481
<b>Surplus for the year</b>		852 202	569 287

National Skills Fund  
Statement of Financial Position as at 31 March 2008

	Notes	2007/08 R'000	2006/07 R'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	65 430	19 735
Advances	9	10 714	2
Investments	10	3 018 002	2 221 845
Loans receivables	11.1	-	362
<b>Total assets</b>		<b>3 094 146</b>	<b>2 241 944</b>
		-	-
<b>Total liabilities</b>		<b>3 094 146</b>	<b>2 241 944</b>
<b>Net assets</b>			
<b>Accumulated funds</b>			
Opening balance		2 241 944	1 672 657
Net surplus for the year		852 202	569 287
<b>Total net assets</b>		<b>3 094 146</b>	<b>2 241 944</b>

National Skills Fund  
Cash Flow Statement for the year ended 31 March 2008

	Notes	2007/08 R'000	2006/07 R'000
<b>Cash flows from operating activities</b>			
Receipts		1 312 888	1 140 321
Net (increase/decrease) in working capital		(806 507)	(571 835)
Current payments		(710 211)	(716 863)
Cash generated from operations	12	(203 830)	(148 377)
Interest received	3	249 525	145 829
<b>Net cash flows from operating activities</b>		<b>45 695</b>	<b>(2 548)</b>
		-	362
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>362</b>
Decrease/(increase) in long-term loans			
Net (decrease)/increase in cash and cash equivalents		<b>45 695</b>	<b>(2 186)</b>
Cash and cash equivalents at beginning of year		<b>19 735</b>	21 921
<b>Cash and cash equivalents at end of year</b>	<b>8</b>	<b>65 430</b>	19 735

National Skills Fund  
Statement of Changes in Net Assets for the year ended 31 March 2008

	Note	2007/08	2006/07
		R'000	R'000
Balance at 1 April 2007		2 241 944	1 672 657
Net surplus for the year		852 202	569 287
<b>Balance at 31 March 2008</b>		<b>3 094 146</b>	<b>2 241 944</b>

National Skills Fund  
Accounting Policies for the year ended 31 March 2008

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The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements.

## 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.

## 2. Revenue

### 2.1 Levy income

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

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

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

### 2.2 Interest income

Interest and dividends received are recognised upon receipt of the funds, and no accrual is made for interest or dividends receivable from the last receipt date to the end of the reporting period. Interest is recognised as revenue in the Financial Statements of the NSF.

### 2.3 State contributions

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

### 2.4 Fines, penalties and forfeits

Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

## 3. Current expenditure

### 3.1 Payments for the training of unemployed people

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

### 3.2 Funds allocated to the SETAs for special projects

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

### 3.3 Collection costs paid to SARS

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

### 3.4 NSF 2% Administration Costs

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

### 3.5 Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the Statement of Financial Performance when the final authorisation for payments is effected on the system (by no later than 31 March of each year).

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

### 3.6 Goods and services

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payments is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used on a

National Skills Fund  
Accounting Policies for the year ended 31 March 2008

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capital project.

### 3.7 Interest and rent on land

Interest and rental payments are recognised as an expense in the Statement of Financial Performance when the final authorisation for payments is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures.

### 3.8 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts. All other losses are recognised when authorisation has been granted for the recognition thereof.

### 3.9 Fruitless and wasteful expenditure

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

### 3.10 Irregular expenditure

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

## 4. Assets

### 4.1 Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and bank overdrafts.

### 4.2 Prepayments and advances

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

### 4.3 Receivables

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

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

### 4.4 Investment

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

### National Skills Fund Accounting Policies for the year ended 31 March 2008

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

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

#### 4.5 Loans

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

#### 4.6 Property, plant and equipment

##### 4.6.1 Property, plant and equipment utilised by the NSF

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

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

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

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

### 5. Liabilities

#### 5.1 Payables

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

#### 5.2 Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payments has not been effected on the system. Accruals are not recognised in Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the Disclosure Notes.

#### 5.3 Commitments

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



National Skills Fund  
Accounting Policies for the year ended 31 March 2008

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## **6. Long-term loans**

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

## **7. Taxation**

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

## **8. Provisions**

A provision is a liability of uncertain timing or amount. Provisions are not normally recognised under the cash basis of accounting, but are disclosed separately as part of the Disclosure Notes to enhance the usefulness of the Financial Statements.

## **9. Related party transactions**

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

## **10. Key management personnel**

Key management personnel are those people having the authority and responsibility for planning, directing and controlling the activities of the Fund. Compensation paid to key management personnel including their family members where relevant, is included in the Disclosure Notes.

National Skills Fund  
Notes to the Annual Financial Statements for the year ended 31 March 2008

	2007/08	2006/07
	R'000	R'000
<b>1. Skills development levy income</b>		
In terms of the Skills Development Act and the Skills Development Levies Act, the following applied during the period under review:		
Percentage of payroll payable as a Skills Development Levy	1%	1%
National Skills Fund (20%)	1 256 861	1 065 686
Withheld by the Department of Labour and paid to the SETAs (80%)	5 027 445	4 262 744
Total gross levies contributed by employers	<u>6 284 306</u>	<u>5 328 430</u>
<b>2. State contribution</b>		
Transfer payments received from the Department of Labour	<u>44 799</u>	<u>42 666</u>
<b>3. Investment income</b>		
Interest – PIC	249 237	145 817
Interest – other	288	12
<b>Total</b>	<u>249 525</u>	<u>145 829</u>
<b>4. Other income</b>		
Money received for debts already written off	-	39
Unutilised prior year funds received	11 228	31 930
	<u>11 228</u>	<u>31 969</u>
<b>5. Operating expenses</b>		
Strategic Projects by SETAs	151 974	48 265
Industry Support Programme	35 019	32 837
Innovation and Research	2 867	1 613
Critical Skills Support Programme	62 369	241 512
Social Development Initiatives	289 071	279 119
ABET	64 045	37 811
Provisioning Support	264	1 320
Discretionary and Innovation	25 686	500
Constituency Capacity Building	-	145
Special Projects	672	1 293
Informal Sector Support	9 759	-
	<u>641 726</u>	<u>644 415</u>

National Skills Fund  
Notes to the Annual Financial Statements for the year ended 31 March 2008

	2007/08	2006/07
	R'000	R'000
<b>6. Realised loss on investment</b>		
Interest adjustment not recognised as negative interest but as loss on capital amount	2 382	-
<b>7. Amounts written off</b>		
Fruitless and wasteful expenditure written off	-	1 073
Receivables written off	-	68
	-	1 141
<b>8. Cash and cash equivalents</b>		
Bank and cash	65 430	19 735
<b>9. Advances</b>		
Advances to training providers for payments of allowances	10 714	1 342
Advances written off	-	(1 340)
	10 714	2
<b>10. Investments with the PIC</b>	3 018 002	2 221 845
<b>11. Receivables</b>		
<b>11.1 Current</b>		
Short-term portion of long-term loan receivables	-	362
<b>12. Cash generated from operations</b>		
Surplus for the year	852 202	569 287
Interest received	(249 525)	(145 829)
<b>Non-cash movements/working capital changes</b>	(806 507)	(571 835)
(Increase)/decrease in receivables	(10 712)	3 041
Increase/(decrease) in payables	-	(407)
(Increase)/decrease in other current assets	(795 795)	(574 107)
(Increase)/decrease in other non-current assets	-	(362)
Net cash flows from operating activities	(203 830)	(148 377)

National Skills Fund  
Disclosure Notes to the Annual Financial Statements  
for the year ended 31 March 2008

		2007/08	2006/07
		R'000	R'000
These notes to the Annual Financial Statements are not recognised in the Financial Statements and are disclosed to enhance the usefulness of the Financial Statements.			
<b>13. Key management personnel</b>	<b>No of Individuals</b>		
Political office bearers*			
Officials			
Level 16*			
Level 14**	1	548	503
		<u>548</u>	<u>503</u>
*Compensation are paid by the Department of Labour			
**Paid by Department of Labour and claimed back as part of the 2% administration fee			
<b>14. Commitments</b>	<b>Notes</b>		
Approved and contracted	Annexure A	1 252 066	744 577
Approved but not yet contracted		291 489	-
<b>Total future expenditure</b>		<u>1 543 555</u>	<u>744 577</u>
<b>15. Related parties</b>	Annexure B		
<b>Movement of Funds between NSF and related party</b>			
Transactions related to projects to be implemented by SETAs		71 429	-
Unutilised prior years funds received		(11 270)	-
2% Administration cost paid to the Department of Labour		10 911	11 782
		<u>71 070</u>	<u>11 782</u>
<b>Balances between NSF and related party</b>			
Transactions related to projects to be implemented by SETAs		182 801	-
<b>16. Accrued PIC amounts not recognised in the financial statements</b>			
Unrealised Investment losses		1 279	362
<b>17. Accounts receivables</b>			
Unspent funds SETA's		31 730	81 279
Outstanding Levy income (20%)		227 402	191 634
		<u>259 132</u>	<u>272 913</u>
<b>18. Accruals</b>			
Social Development Funding Window		72 973	30 592
Interdepartmental Claims Personnel Cost		1 537	145
Interdepartmental Claims Other		8 406	-
Other outstanding claims		27 636	3 799
Collection costs to SARS for March		4 490	4 392
		<u>115 042</u>	<u>38 928</u>

National Skills Fund  
Disclosure Notes to the Annual Financial Statements  
for the year ended 31 March 2008

**19. Change in Accounting Policies**

The Accounting Policies were changed to be in accordance with guidelines issued by National Treasury.

**20. Accounting method used**

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

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

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

		2007/08 R'000	2006/07 R'000
<b>21. Provision for doubtful debt</b>			
	<b>Notes</b>		
Advances	8	-	2
Long-term loans	10	-	362
<b>Total</b>		<b>-</b>	<b>364</b>

**22. Irregular expenditure****22.1 Reconciliation of irregular expenditure**

Opening balance – Previous year	279 119	-
Irregular expenditure – Current year	273 111	279 119
<b>Irregular expenditure awaiting condonement</b>	<b>552 230</b>	<b>279 119</b>

**Analysis of awaiting condonement per classification**

Current expenditure	273 111	279 119
	<b>273 111</b>	<b>279 119</b>

**Analysis of awaiting condonement per age classification**

Current year	273 111	279 119
Prior year	279 119	-
	<b>552 230</b>	<b>279 119</b>

**22.2 Irregular expenditure**

Incident	Disciplinary steps taken/criminal proceedings	No. Cases		
Non-compliance to requirements of Supply chain Management	N/A			
Prior year		15 956	279 119	-
Current year		14 442	273 111	279 119
		<b>552 230</b>	<b>279 119</b>	<b>279 119</b>

Request to grant condonation for the irregular expenditure incurred during the 2006/07 and 2007/08 financial year with regard to the training of unemployed persons under the Social Development Initiatives funding window was submitted to National Treasury in a letter dated 3 March 2008 and 14 July 2008. The condonation of the irregular expenditure has not yet been received.

National Skills Fund  
Annexure A to the Annual Financial Statements  
for the year ended 31 March 2008

Funding Window	Approved and contracted	Less amount transferred prior years	Less amount transferred 2007/08	Commitments released/ paid /cancelled /adjusted during the year	Commitment to be transferred	Approved but not yet contracted
	R'000	R'000	R'000	R'000	R'000	R'000
Social Development Funding Window	997 240	462 368	273 111	(85 657)	176 104	26 266
Abet Funding Window	103 723	37 811	64 045	(1 867)	-	215 224
Critical Skills Support	715 952	395 469	62 369	(104 682)	153 432	-
Provisioning Support	2 640	1 320	264	-	1 056	-
Industry Support Programme	160 163	55 610	12 757	(30 823)	60 973	19 709
Informal Sector Support	31 005	-	9 759	-	21 246	-
Constituency Capacity Building and Advocacy	-	-	-	-	-	-
Special Projects	1 293	1 293	-	-	-	-
Innovation and Research	11 748	7 043	2 867	(1 838)	-	-
Discretionary and Innovation	43 560	500	25 686	(4 714)	12 660	30 290
<b>Total Funding Windows</b>	<b>2 067 324</b>	<b>961 414</b>	<b>450 858</b>	<b>(229 581)</b>	<b>425 471</b>	<b>291 489</b>
Strategic Projects	1 124 558	127 241	151 974	(18 748)	826 595	-
<b>Total</b>	<b>3 191 882</b>	<b>1 088 655</b>	<b>602 832</b>	<b>(248 329)</b>	<b>1 252 066</b>	<b>291 489</b>

Notes:

The expenditure on the Social Development Funding Window excludes the payments of allowances to trainees.

National Skills Fund  
Annexure B to the Annual Financial Statements  
for the year ended 31 March 2008

Related party transactions  
Transactions with SETAs  
Contracts in terms of projects to be implemented by SETAs

Related party	Amount transferred prior years	Amount transferred during 2007/08	Amount payable
	R'000	R'000	R'000
<b>Learnerships</b>			
BANKSETA	15 206	-	-
CETA	14 211	11 036	-
CHIETA	19 046	-	-
ETDPSETA	3 125	-	-
FOODBEV	4 961	-	-
HWSETA	14 212	1 143	-
ISETT	7 513	-	-
LGWSETA (LGSETA)	70 100	-	-
PAETA (AGRISETA)	17 500	-	-
PSETA	97 238	-	-
SERVICES	22 321	-	-
<b>NSF CSS Programme</b>			
BANKSETA	4 052	20 259	-
CHIETA	4 406	7 210	33 138
ESETA	4 211	-	12 789
FASSET	-	14 324	16 351
FIETA	2 863	-	19 753
FOODBEV	5 520	-	17 607
INSETA	6 737	5 582	1 156
MAPPSETA	-	2 517	18 266
MQA	3 742	-	11 546
SASSETA	4 129	-	10 027
THETA	4 985	-	12 799
<b>Provisioning Support</b>			
Ceta	264	264	-
Merseta	264	-	264
E Seta	264	-	264
MQA	264	-	264
Agriseta	264	-	264
<b>Strategic Projects</b>			
FASSET(EC)	26 769	-	-
FASSET(LP &KZN)	72 662	-	-
SASSETA	20 970	6 951	28 079
DITSELA	6 840	2 143	234
<b>Total</b>	<b>454 639</b>	<b>71 429</b>	<b>182 801</b>

# Annual Report

## Section 5

### Human Resources Management

#### 1 Expenditure

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (**Table 1.1**) and by salary bands (**Table 1.2**). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the Department.

**Table 1.1 – Personnel costs by programme, 2007/08**

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	328 384	64 441	1 547	262 396	19.62	155.6
Service Delivery	656 753	403 649	8 500	244 604	61.46	137.8
Employment and Skills Development Services/Human Resource Development	540 119	43 612	1 884	494 623	8.07	111.2
Labour Policy and Labour Market Programmes	417 467	32 124	583	384 760	7.69	218.5
Social Insurance	5 898	-	-	5 898	-	-
<b>Subtotal</b>	<b>1 948 621</b>	<b>543 826</b>	<b>12 514</b>	<b>1 392 281</b>	<b>27.91</b>	<b>140.1</b>
Statutory	6 284 306	0	0	6 284 306	0	0
<b>Total</b>	<b>8 232 927</b>	<b>543 826</b>	<b>12 514</b>	<b>7 676 587</b>	<b>6.53</b>	<b>140.1</b>

**Table 1.2 – Personnel costs by salary bands, 2007/08**

Salary bands	Personnel expenditure (R'000)	% of total personnel cost	Average compensation cost per employee
Lower skilled (Levels 1-2)	109	-	109
Skilled (Levels 3-5)	154 936	28.48	85
Highly skilled production (Levels 6-8)	207 089	38.08	146
Highly skilled supervision (Levels 9-12)	134 379	24.70	258
Senior management (Levels 13-16)	30 781	5.66	540
Other	16 532	3.03	217
<b>Total</b>	<b>543 826</b>		<b>140</b>

The following tables provide a summary per programme (**Table 1.3**) and salary bands (**Table 1.4**), of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.



**Table 1.3 – Salaries, overtime, home owners allowance and medical assistance by programme, 2007/08**

Programme	Salaries		Overtime		Home owners allowance (HOA)		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Programme 1: Administration	39 201	60.83	1 733	2.68	877	1.36	2 485	3.85
Programme 2: Service Delivery	285 151	70.64	557	0.13	8 798	2.17	24 502	6.06
Programme 3: Employment and Skills Development Services/Human Resource Development	30 740	70.48	899	2.06	995	2.28	1 856	4.25
Programme 4: Labour Policy and Labour Market Programmes	23 118	71.96	125	0.38	307	0.95	1 053	3.27
Programme 5: Social Insurance	-	-	-	-	-	-	-	-
<b>Total</b>	<b>378 210</b>	<b>69.54</b>	<b>3 314</b>	<b>0.60</b>	<b>10 977</b>	<b>2.01</b>	<b>29 896</b>	<b>5.49</b>

**Table 1.4 – Salaries, overtime, home owners allowance and medical assistance by salary bands, 2007/08**

Salary bands	Salaries		Overtime		Home owners allowance (HOA)		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Lower skilled (Levels 1-2)	681	0.12	2	-	24	-	73	0.01
Skilled (Levels 3-5)	113 123	20.80	1 150	0.21	4 814	0.88	13 199	2.42
Highly skilled production (Levels 6-8)	145 913	26.83	1 077	0.19	4 733	0.87	12 611	2.31
Highly skilled supervision (Levels 9-12)	70 725	13.00	264	0.04	1 178	0.21	3 558	0.65
Senior management (Levels 13-16)	11 952	2.19	-	-	228	0.04	428	0.07
Other	35 816	6.58	821	0.15	-	-	27	-
<b>Total</b>	<b>378 210</b>	<b>69.54</b>	<b>3 314</b>	<b>0.60</b>	<b>10 977</b>	<b>2.01</b>	<b>29 896</b>	<b>5.49</b>

## 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**). Departments have identified critical occupations that need to be monitored.

**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 2008**

Programme	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Administration	416	291	30	18
Service Delivery	3 577	3 181	11.1	0
Employment and Skills Development Services/Human Resource Development	392	342	12.8	6
Labour Policy and Labour Market Programmes	146	116	20.5	11
Social Insurance	UIF: 2 261 CF: 671	UIF: 2 037 CF: 597	10.2	UIF: 20 CF: 309
<b>Total</b>	<b>*7 463</b>	<b>6 564</b>	<b>12.0</b>	<b>364</b>

\*Posts of the Unemployment Insurance Fund and the Compensation Fund are included.

**Table 2.2 – Employment and vacancies by salary bands, 31 March 2008**

Salary band	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	1	1	0	0
Skilled (Levels 3-5)	3 706	3 342	9.8	323
Highly skilled production (Levels 6-8)	2 909	2 506	13.9	20
Highly skilled supervision (Levels 9-12)	769	648	15.7	16
Senior management (Levels 13-16)	78	67	14.1	5
<b>Total</b>	<b>*7 463</b>	<b>6 564</b>	<b>12.0</b>	<b>364</b>

\*Posts of the Unemployment Insurance Fund and the Compensation Fund are included.

**Table 2.3 – Employment and vacancies by critical occupation, 31 March 2008**

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Administrative related	2 613	2 422	7.3	312
Artisans	121	97	19.8	0
Cleaners	178	168	5.6	12
Client service officers	730	689	5.6	0
Communication related	34	28	17.7	1
Employment service practitioners	130	122	6.2	0
Financial related	579	511	11.7	0
Food services aid	19	19	0	0
Head of Department	1	0	100	0
Housekeepers, laundry and related	4	4	0	0
Human resource related	1 119	932	16.7	6
Information technology	23	15	34.8	0
Inspectors	1 274	1 015	20.3	0
Legal related	17	9	47.1	0
Librarian and related	1	1	0	0
Drivers	20	6	70	0
Logistical support and related	56	50	10.7	0
Medical practitioners	34	34	0	9
Messengers	93	84	9.7	13
National technical examiners	43	29	32.6	0
Production advisors	2	1	50	0
Minister	1	1	0	0
Security related	145	127	12.4	0
Secretarial related	79	64	19	0
Senior management	74	65	12.2	11
Trade labourers	73	71	2.7	0
<b>Total</b>	<b>*7 463</b>	<b>6 564</b>	<b>12.0</b>	<b>364</b>

\*Posts of the Unemployment Insurance Fund and the Compensation Fund are included.

### 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 2007 to 31 March 2008**

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	% of posts upgraded	Number	% of posts downgraded
Lower skilled (Levels 1-2)	1	0	0	0	0	0	0
Skilled (Levels 3-5)	3 764	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	2 850	2	0.1	3	100	0	0
Highly skilled supervision (Levels 9-12)	768	28	8.7	67	100	0	0
Senior Management Service Band A	50	0	0	0	0	0	0
Senior Management Service Band B	23	0	4.2	0	0	0	0
Senior Management Service Band C	6	0	0	0	0	0	0
Senior Management Service Band D	1	0	0	0	0	0	0
<b>Total</b>	<b>7 463</b>	<b>30</b>	<b>0.9</b>	<b>70</b>	<b>100</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 2007 to 31 March 2008**

Beneficiaries	African	Asian	Coloured	White	Total
Female*	15	0	2	10	27
Male	25	2	2	14	43
<b>Total</b>	<b>40</b>	<b>2</b>	<b>4</b>	<b>24</b>	<b>70</b>
Employees with a disability	0	0	0	0	0

**Table 3.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2007 to 31 March 2008**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	0	-	-	-
<b>Total number of employees whose salaries exceeded the level determined by job evaluation in 2007/08</b>				
<b>Percentage of total employment</b>				

**Table 3.4 - Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2007 to 31 March 2008 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female*	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0

## 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**). (These “critical occupations” should be the same as those listed in **Table 2.3**)

**Table 4.1 – Annual turnover rates by salary band for the period 1 April 2007 to 31 March 2008**

Salary band	Number of employees per band as on 1 April 2007	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate %
Lower skilled (Levels 1-2)	18	0	4	22.2
Skilled (Levels 3-5)	4 029	210	474	11.8
Highly skilled production (Levels 6-8)	2 674	36	509	19.0
Highly skilled supervision (Levels 9-12)	684	11	39	5.7
Senior Management (Service Band A)	42	2	1	2.4
Senior Management (Service Band B)	21	0	1	4.8
Senior Management (Service Band C)	5	0	1	20
Senior Management (Service Band D)	2	0	1	50
<b>Total</b>	<b>7 475</b>	<b>259</b>	<b>1 030</b>	<b>13.8</b>

**Table 4.2–Annual turnover rates by critical occupation for the period 1 April 2007 to 31 March 2008**

Occupation	Number of employees per occupation as on 1 April 2007	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate %
Administrative related	3 262	83	812	24.9
Artisans	33	0	0	0
Cleaners	162	10	13	8.0
Client service officers	964	1	0	0
Communication related	30	2	5	16.7
Employment service practitioners	194	2	10	5.2
Financial related	520	23	34	6.5
Food services aid	16	1	2	12.5
Head of Department	1	0	1	100
Housekeepers, laundry and related	9	1	1	11.1
Human resource related	364	61	49	13.5
Information technology	3	0	1	33.3
Inspectors	779	0	7	0.9
Legal related	10	1	2	20.0
Librarian and related	1	0	0	0
Drivers	4	7	1	25
Logistical support and related	638	35	59	9.3
Medical practitioners	18	2	7	38.9
Messengers	77	6	5	6.5
Minister	1	0	0	0
National technical examiners	34	1	4	11.8
Production advisors	1	0	0	0
Security related	144	15	9	6.3
Secretarial related	73	0	3	4.1
Senior management	67	5	4	6.0
Trade labourers	70	3	1	1.4
<b>Total</b>	<b>7 475</b>	<b>259</b>	<b>1 030</b>	<b>13.8</b>

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	48	4.7
Resignation	230	22.3
Expiry of contract	583	56.6
Dismissal – operational changes	0	0
Dismissal – misconduct	21	2
Dismissal – inefficiency	0	0
Discharged due to ill-health	3	0.3
Retirement	37	3.6
Transfers to other Public Service departments	108	10.5
Other	0	0
<b>Total</b>	<b>1 030</b>	<b>100</b>
<b>Total number of employees who left as a % of the total employment</b>	<b>7 463</b>	<b>13.8</b>

**Table 4.4 – Promotions by critical occupation**

Occupation	Employees as at 1 April 2007	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	3 262	86	2.6	2 461	75.4
Artisans	33	1	3	1	3
Cleaners	162	0	0	12	7.4
Client service officers	964	2	0.2	805	83.3
Communication related	30	1	3.3	7	23.3
Financial related	520	14	2.7	401	77.1
Employment service practitioners	194	8	4.1	128	66
Food services aid	16	0	0	2	12.5
Head of Department	1	0	0	0	0
Housekeepers, laundry and related	9	0	0	1	11.1
Human resource related	364	26	7.1	233	64
Information technology	3	0	0	0	0
Inspectors	779	0	0	0	0
Legal related	10	1	10	2	20
Librarian and related	1	0	0	1	100
Drivers	4	4	100	4	100
Logistical support and related	638	6	0.9	390	61.1
Medical practitioners	18	1	5.6	4	22.2
Messengers	77	1	1.3	7	9.1
Minister	1	0	0	0	0
National technical examiners	34	0	0	23	67.7
Production advisors	1	0	0	1	100
Security related	144	4	2.8	103	71.5
Secretarial related	73	6	8.2	62	84.9
Senior management	67	3	4.5	1	1.5
Trade labourers	70	0	0	0	0
<b>Total</b>	<b>7 475</b>	<b>164</b>	<b>2.2</b>	<b>4 649</b>	<b>62.2</b>

**Table 4.5 – Promotions by salary band**

Salary band	Employees 1 April 2007	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)	18	0	0	0	0
Skilled (Levels 3-5)	4 029	9	0.2	2 446	60.7
Highly skilled production (Levels 6-8)	2 674	105	4.0	2 098	78.5
Highly skilled supervision (Levels 9-12)	684	43	6.3	104	15.2
Senior management (Levels 13-16)	70	7	10.0	1	1.4
<b>Total</b>	<b>7 475</b>	<b>164</b>	<b>2.2</b>	<b>4 649</b>	<b>62.2</b>

## 5 Employment equity

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

**Table 5.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2008**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	33	5	2	7	14	0	0	1	62
Professionals	171	13	6	19	206	25	9	36	485
Technicians and associate professionals	540	73	41	86	421	55	13	200	1 429
Clerks	1 233	152	32	57	1 845	272	59	387	4 037
Service and sales workers	78	14	0	10	38	3	0	2	145
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	13	0	0	14	2	0	0	1	30
Plant and machine operators and assemblers	15	2	0	0	1	0	0	0	18
Elementary occupations	178	9	1	6	142	17	0	5	358
<b>Total</b>	<b>2 261</b>	<b>268</b>	<b>82</b>	<b>199</b>	<b>2 669</b>	<b>372</b>	<b>81</b>	<b>632</b>	<b>6 564</b>
Non-permanent employees	116	1	0	3	229	9	2	4	364
<b>Grand total</b>	<b>2 377</b>	<b>269</b>	<b>82</b>	<b>202</b>	<b>2 898</b>	<b>381</b>	<b>83</b>	<b>636</b>	<b>6 928</b>
Employees with disabilities	73	8	6	19	55	6	4	25	196

**Table 5.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2008**

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	31	4	2	9	13	0	0	2	61
Professionally qualified and experienced specialists and mid-management	247	32	19	67	194	21	6	68	654
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	769	104	47	103	773	134	49	528	2 507
Semi-skilled and discretionary decision making	1 225	152	18	40	1 545	227	39	86	3 332
Unskilled and defined decision making	2	0	0	0	1	0	0	0	3
<b>Total</b>	<b>2 279</b>	<b>293</b>	<b>86</b>	<b>219</b>	<b>2 527</b>	<b>382</b>	<b>94</b>	<b>684</b>	<b>6 564</b>



**Table 5.3 - Recruitment for the period 1 April 2007 to 31 March 2008**

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	5	0	0	0	5	0	0	1	11
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	20	2	1	0	12	0	1	0	36
Semi-skilled and discretionary decision making	99	2	1	3	97	7	1	0	210
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>125</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>114</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>259</b>
Employees with disabilities	0	0	0	0	2	0	0	0	2

**Table 5.4 - Promotions for the period 1 April 2007 to 31 March 2008**

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	0	0	0	0	0	0
Senior management	4	0	0	1	2	0	0	0	7
Professionally qualified and experienced specialists and mid-management	36	4	2	15	31	3	0	15	106
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	50	4	0	1	38	3	0	4	100
Semi-skilled and discretionary decision making	6	1	0	1	9	1	1	1	20
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>96</b>	<b>9</b>	<b>2</b>	<b>18</b>	<b>80</b>	<b>7</b>	<b>1</b>	<b>20</b>	<b>233</b>
Employees with disabilities	2	0	0	0	0	1	0	0	3

**Table 5.5 - Terminations for the period 1 April 2007 to 31 March 2008**

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1	0	0	0	1	0	0	0	2
Senior management	1	0	0	1	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	17	1	0	5	14	0	1	1	39
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	108	15	2	20	302	11	3	48	509
Semi-skilled and discretionary decision making	152	9	2	9	270	17	1	9	469
Unskilled and defined decision making	5	0	0	0	4	0	0	0	9
<b>Total</b>	<b>284</b>	<b>25</b>	<b>4</b>	<b>35</b>	<b>591</b>	<b>28</b>	<b>5</b>	<b>58</b>	<b>1 030</b>
Employees with disabilities	7	1	0	0	0	0	0	0	8

**Table 5.6 Disciplinary action for the period 1 April 2007 to 31 March 2008**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	83	10	5	1	27	2	1	8	137

**Table 5.7 Skills development for the period 1 April 2007 to 31 March 2008**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	31	4	1	5	14	1	0	3	59
Professionals	201	24	15	60	200	19	7	37	563
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	1 764	250	61	86	1 629	282	45	350	4 467
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	122	15	0	4	355	2	0	5	503
<b>Total</b>	<b>2 118</b>	<b>293</b>	<b>77</b>	<b>155</b>	<b>2 198</b>	<b>304</b>	<b>52</b>	<b>395</b>	<b>5 592</b>
Employees with disabilities	33	6	2	7	39	8	3	11	109

## 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 2007 to 31 March 2008 for the performance delivered during 2006/07**

	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	788	2 347	33.6	3 626	4 610
Female	1 008	2 779	36.3	3 775	3 745
<b>Asian</b>					
Male	33	81	40.7	246	7 454
Female	40	90	44.4	180	4 500
<b>Coloured</b>					
Male	110	288	38.2	532	4 836
Female	182	389	46.8	668	3 670
<b>White</b>					
Male	108	200	54.0	847	7 842
Female	461	659	70.0	2 211	4 796
<b>Employees with a disability</b>	73	196	37.2	272	3 726
<b>Total</b>	<b>2 803</b>	<b>7 029</b>	<b>39.8</b>	<b>12 357</b>	<b>4 408</b>

**Table 6.2 – Performance rewards by salary bands for personnel below Senior Management Service, 1 April 2007 to 31 March 2008 for the performance delivered during 2006/07**

Salary bands	Beneficiary profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost R'000	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	1	25	4.0	1	1 000	9.2
Skilled (Levels 3-5)	1 142	3 684	31.0	2 716	5 625	0.04
Highly skilled production (Levels 6-8)	1292	2 554	50.6	5 704	4 415	0.02
Highly skilled supervision (Levels 9-12)	354	679	52.1	3 450	20 742	0.15
Periodical remuneration	0	66	0	0	0	0
<b>Total</b>	<b>2 789</b>	<b>7 008</b>	<b>39.8</b>	<b>11 871</b>	<b>4 255</b>	<b>0.01</b>

**Table 6.3 – Performance rewards by critical occupations, 1 April 2007 to 31 March 2008 for the performance delivered during 2006/07**

Critical occupations	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total cost	Average cost per employee
Administrative related	1 883	4 732	38.7	7 921	4 321
Artisans	1	1	100	3	3 000
Cleaners	90	218	41.3	171	1 900
Client service officers	2	8	25.0	21	10 500
Communication related	17	28	60.7	211	12 411
Employment service practitioners	82	175	46.9	441	5 378
Financial related	230	472	48.7	857	3 726
Food services aid	6	18	33.3	11	1 833
Head of Department	0	1	0	0	0
Housekeepers, laundry and related	1	5	20.0	2	2 000
Human resources related	154	362	42.5	815	5 292
Information technology	0	1	0	0	0
Inspectors	5	21	23.8	105	21 000
Legal related	5	5	100	67	13 400
Librarian and related	0	1	0	0	0
Drivers	8	18	44.4	19	3 375
Logistical support and related	206	489	42.0	701	3 402
Medical practitioners	1	13	7.7	12	12 000
Messengers	31	72	43.1	61	1 967
Minister	0	1	0	0	0
National technical examiners	14	28	50.0	62	4 428
Production advisors	1	1	100	21	21 000
Security related	35	161	21.7	75	2 142
Secretarial related	58	100	58.0	265	4 569
Senior management	15	74	3.3	503	34 000
Trade labourers	8	24	33.3	13	1 625
<b>Total</b>	<b>2 803</b>	<b>7 029</b>	<b>39.8</b>	<b>12 357</b>	<b>4 408</b>

**Table 6.4 – Performance related rewards (cash bonus), by salary band, for Senior Management, 1 April 2007 to 31 March 2008 for the performance delivered during 2006/07**

Salary band	Beneficiary profile			Cost		
	Number of beneficiaries	Number of employees	% of total within band	Total cost R'000	Average cost per employee	Total cost as a % of the total personnel expenditure
Band A	8	45	2.2	231	2 887	0.19
Band B	4	21	0	181	4 525	0.39
Band C	2	6	0	74	370	0.15
Band D	0	1	0	0	0	0
<b>Total</b>	<b>14</b>	<b>73</b>	<b>1.4</b>	<b>486</b>	<b>3 471</b>	<b>0.02</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 2007 to 31 March 2008, by salary band**

Salary band	1 April 2007		31 March 2008		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)	2	40.0	1	100.0	-1	-25.0
Highly skilled supervision (Levels 9-12)	1	20.0	0	0	-1	-25.0
Senior management (Levels 13-16) (Contract)	1	20.0	0	0	-1	-25.0
Periodical remuneration	1	20.0	0	0	-1	-25.0
Abnormal appointment	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

**Table 7.2 – Foreign workers, 1 April 2007 to 31 March 2008, by major occupation**

Major occupation	1 April 2007		31 March 2008		Change in employment	
	Number	% of total	Number	% of total	Number	% change
Administrative office workers	3	60.0	1	100.0	2	50.0
Elementary occupations	0	0	0	0	0	0
Professionals and managers	2	40.0	0	0	2	50.0
Rank: committee member	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

## 8 Leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the Public Service. The following tables provide an indication of the use of sick leave (**Table 8.1**) and disability leave (**Table 8.2**). In both cases, the estimated cost of the leave is also provided.

**Table 8.1 – Sick leave, 1 January 2007 to 31 December 2008**

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)	38	94.7	2	0	19	7
Skilled (Levels 3-5)	26 428.5	80.5	2 994	51.1	9	6 522
Highly skilled production (Levels 6-8)	20 917	81.3	2 303	39.3	9	8 485
Highly skilled supervision (Levels 9-12)	3 754.5	81.3	525	9.0	7	3 181
Senior management (Levels 13-16)	163	68.1	40	0.7	4	337
<b>Total</b>	<b>51 301</b>	<b>80.9</b>	<b>5 864</b>	<b>100.0</b>	<b>8</b>	<b>18 532</b>

**Table 8.2 – Disability leave (temporary and permanent), 1 January 2007 to 31 December 2007**

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)	667	100	19	55.9	35	167
Highly skilled production (Levels 6-8)	494	100	14	41.2	35	198
Highly skilled supervision (Levels 9-12)	30	100	1	2.9	30	21
<b>Total</b>	<b>1 191</b>	<b>100</b>	<b>34</b>	<b>100.0</b>	<b>35</b>	<b>386</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 2007 to 31 December 2007**

Salary bands	Total days taken	Average per employee	Number of employees who took leave
Lower skilled (Levels 1-2)	41	21	2
Skilled Levels 3-5)	69 122	20	3 426
Highly skilled production (Levels 6-8)	60 138	22	2 718
Highly skilled supervision (Levels 9-12)	15 464	22	719
Senior management (Levels 13-16)	1 380	19	71
<b>Total</b>	<b>146 145</b>	<b>21</b>	<b>6 936</b>

**Table 8.4 – Capped leave, 1 January 2007 to 31 December 2007**

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2007
Skilled Levels 3-5)	269	4	22
Highly skilled production (Levels 6-8)	944	4	41
Highly skilled supervision (Levels 9-12)	215	5	49
Senior management (Levels 13-16)	2	2	47
<b>Total</b>	<b>1 430</b>	<b>4</b>	<b>37</b>

**Table 8.5 – Leave payouts for the period 1 April 2007 to 31 March 2008**

Reason	Total amount (R'000)	Number of employees	Average payments per employee
Capped leave payouts on termination of service for 2007/08	2 538	90	2 448
Current leave payout on termination of service for 2007/08	3 011	858	3 509
<b>Total</b>	<b>5 549</b>	<b>948</b>	<b>5 957</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
None	

**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 Gangumzi Tsengiwe Senior Executive Manager: HRM.
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		Two staff members are responsible for this task. R 2 million is the budget available for this purpose.
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. The Department also has a peer educators' programme.

Question	Yes	No	Details, if yes
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		<p>National Employment Equity Consultative Forum which consists of the representatives from all the provincial offices of the Department.</p> <p>SEM: HRM Mr G Tsengiwe EM HRM Mr B Gama</p> <p>Designated groups: Disabled Ms FD Ndwandwe</p> <p>Non-designated group: White Mr CJ Marais</p> <p>Representatives from the Chief Directorates: Finance Ms B Matebesi Communication Ms P Mdluli Employment Equity Mr T Muthelo</p> <p>Representatives from the Directorates: SCM&amp;OA Mr S Mphuthi T&amp;D Ms D Chiloane EHWP Ms L Siphambo GDY Ms T Moeti</p> <p>Chairperson/Delegate of each LEECF: Head Office Ms Z Mdebuka Eastern Cape Ms N Tetyana Free State Mr N Ntshiba Gauteng North Ms P Mthethwa Gauteng South Ms A Mqgibi KwaZulu-Natal Mr E Khambula Limpopo Mr M Mabunda Mpumalanga Ms N Sophazi Northern Cape Mr R Geswint North West Ms T Moleko Western Cape Mr R Carrim Compensation Fund Ms R Manamela Unemployment Insurance Fund Ms T Maluleke INDLELA Mr A Motshepe</p> <p>Representatives of Unions: NEHAWU Mr C Marula PSA Mr A Dlamini PAWUSA Mr G Soetmelk SASAWU Mr M Kweyama</p> <p>Secretariat: Ms I Groenewald Ms G Maritz Ms V Mokoena</p>
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		<p>Under review are the following policies:</p> <ul style="list-style-type: none"> <li>● EAP policy</li> <li>● HIV and AIDS policy</li> <li>● OHS policy.</li> </ul>
6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		<p>This is done through awareness programmes. Workshops to be conducted on knowing your rights.</p>
7. Does the Department encourage its employees to undergo voluntary counseling and testing? If so, list the results that you have you achieved.	X		<p>The Department encourages employees to undergo VCT. The response to the Service Providers is good.</p>
8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		<p>Monitoring is done by reporting progress in the National Employment Equity Consultative Forum.</p>



## 10. Labour relations

The following collective agreements were entered into with trade unions within the Department.

**Table 10.1 – Collective agreements, 1 April 2007 to 31 March 2008**

Total collective agreements	0
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**Table 10.2 – Misconduct and disciplinary hearings finalised, 1 April 2007 to 31 March 2008**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	2	2.8
Final written warning	17	23.9
Suspended without pay	3	4.2
Fine	0	0
Demotion	0	0
Dismissal	21	29.6
Not guilty	3	4.2
Case withdrawn	25	35.2
Other (i.e. referring back, progressive discipline)		
<b>Total</b>	<b>71</b>	<b>100.0</b>

**Table 10.3 – Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Absenteeism	15	15.8
Abuse of power	1	1.1
Alcohol abuse	1	1.1
Assault	1	1.1
Bribery	5	5.3
Dereliction of duty	4	4.2
E-mail abuse	1	1.1
Failure to declare IES monies	3	3.2
Fraud	19	20.0
Fruitless expenditure	2	2.1
Insubordination	5	5.3
Misrepresentation	12	12.6
Negligence	9	9.5
Sexual harassment	3	3.2
State vehicle misuse	14	14.7
<b>Total</b>	<b>95</b>	<b>100.0</b>

**Table 10.4 – Grievances lodged for the period 1 April 2007 to 31 March 2008**

	Number	% of total
Number of grievances resolved	9	18
Number of grievances not resolved	41	82
<b>Total number of grievances lodged</b>	<b>50</b>	<b>100</b>

**Table 10.5 – Disputes lodged with councils for the period 1 April 2007 to 31 March 2008**

	Number	% of total
Number of disputes upheld	20	41.7
Number of disputes dismissed	15	31.3
<b>Total number of disputes lodged</b>	<b>35</b>	<b>100.0</b>

**Table 10.6 – Strike actions for the period 1 April 2007 to 31 March 2008**

Total number of person working days lost	4 365
Total cost (R'000) of working days lost	682 296
Amount (R'000) recovered as a result of no work no pay	682 296

**Table 10.7 – Precautionary suspensions for the period 1 April 2007 to 31 March 2008**

Number of people suspended	13
Number of people whose suspension exceeded 30 days	11
Average number of days suspended	120
Cost (R'000) of suspensions	R 1 672 822

## 11 Skills development

This section highlights the efforts of the Department with regard to skills development.

**Table 11.1 Training needs identified 1 April 2007 to 31 March 2008**

Occupational categories	Gender	Number of employees as at 1 April 2007	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	17	0	0	17	0	17
	Male	53	0	0	41	0	41
Professionals	Female	323	0	0	313	0	313
	Male	220	0	0	210	0	210
Technicians and associate professionals	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Clerks	Female	3 680	0	0	3 351	0	3 351
	Male	2 824	0	0	2 361	0	2 361
Service and sales workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0
	Male	0	0	0	0	0	0
Elementary occupations	Female	166	0	0	152	0	152
	Male	192	0	0	161	0	161
Subtotal	Female	4 186	0	0	3 833	0	3 833
	Male	3 289	0	0	2 773	0	2 773
<b>Total</b>		<b>7 475</b>	<b>0</b>	<b>0</b>	<b>6 606</b>	<b>0</b>	<b>6 606</b>

**Table 11.2 - Training provided 1 April 2007 to 31 March 2008**

Occupational categories	Gender	Number of employees as at 1 April 2007	Training needs identified at start of reporting period				
			Learnerships 18.1	Learnerships 18.2	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	17	0	0	18	0	<b>18</b>
	Male	53	0	0	41	0	<b>41</b>
Professionals	Female	323	0	0	263	12	<b>275</b>
	Male	220	0	0	300	10	<b>310</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	3 680	0	0	2 306	91	<b>2 397</b>
	Male	2 824	0	0	2 161	80	<b>2 241</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	166	0	0	362	0	<b>362</b>
	Male	192	0	0	141	2	<b>143</b>
Subtotal	Female	4 186	0	0	2 949	103	<b>3 052</b>
	Male	3 289	0	0	2 643	92	<b>2 735</b>
<b>Total</b>		<b>7 475</b>	<b>0</b>	<b>0</b>	<b>5 592</b>	<b>195</b>	<b>5 787</b>

\* Some officials attended more than one training initiative.

## 12 Injuries on duty

**Table 12.1 - Injury on duty, 1 April 2007 to 31 March 2008**

Nature of injury on duty	Number	% of total
Required basic medical attention only	46	83.6
Temporary total disablement	6	11.0
Permanent disablement	2	3.6
Fatal	1	1.8
<b>Total</b>	<b>55</b>	<b>100.0</b>

### 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
Asset Management and Support Services	One Company	6 months	R5 788
KPMG-Incorporation of Public Private Partnership(PPP) into the Financial Statements	One Company	6 weeks	R74 883
Conducting of Phase II Investigation into irregularities at Compensation Fund	One Company-5 specialists	4 weeks	R1 075 020
Consultants to assist Salaries section in clearing of suspense accounts	One Company - 5 consultants	40 days	R228 732
Organisational Climate Survey for Department of Labour	One Company-5 consultants	70 days	R896 396
Research, Monitoring and Evaluation (RME) Agenda	One Company	240 days	R12 000 000
International Review of the Labour Market	One Company	60 days	R290 195
Welfare Research	One Company - 4 consultants	120 days	R279 585
Labour Market Review	One Company	60 days	R28 000
Unskilled Labour	One Company	7 days	R29 000
Business Case for the National Skills Fund	One Company – 8 consultants	365 days	R497 838
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration : work days</b>	<b>Total contract value in Rand</b>
11	27 consultants were specified	1 102	R21 405 389

**Table 13.2 - Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Business Case for the National Skills Fund	26%	55%	3
Research, Monitoring and Evaluation (RME) Agenda	HSRC: Government owned	HSRC: Government owned	HSRC: Government owned
International Review of the Labour Market	0	0	0
Labour Market Review	0	0	0
Unskilled Labour	0	0	0
Welfare Research	30 %	60 %	1

**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	0	0	0
Total number of projects	Total individual consultants	Total duration: work days	Total contract value in Rand
None	0	0	0

**Table 13.4 - Analysis of consultant appointments using donor funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
None	0	0	0



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