



Annual Report of the

Department of Labour

1 April 2008 to 31 March 2009



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

Annual Report

1 April 2008 to 31 March 2009

Publisher

Department of Labour
Chief Directorate of Communication
Private Bag X117
Pretoria
0001

Editing, Photography, Layout, Design and Distribution

Media Production Subdirector
Chief Directorate of Communication
Department of Labour

Website

www.labour.gov.za

ISBN No

978-0-621-38599-1

RP No

RP77/2009



Department of Labour
Laboria House
Pretoria

14 August 2009



Minister MMS Mdladlana, MP
Minister of Labour

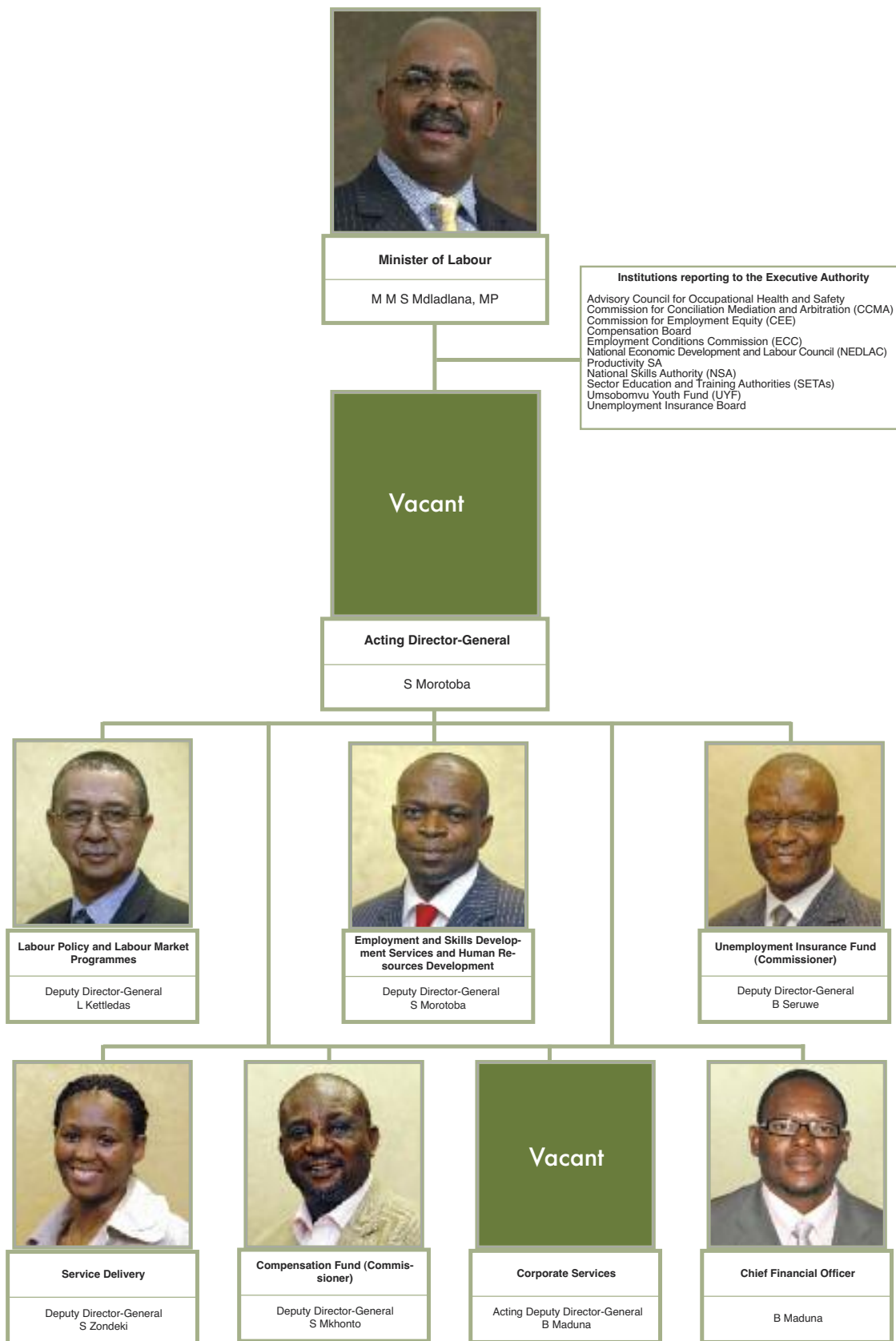
It is my privilege and honour to submit to you the
Annual Report of the Department of Labour
for the period 1 April 2008 to 31 March 2009,
in terms of the Public Finance Management Act, 1999.



S Morotoba
Acting Director-General
of Labour

Organisational Structure

Top Leadership



Content

	Page
Section 1: General Information	1
Introduction	1
Ministry of Labour	2
Mission Statement	3
Legislative Mandate	3
Section 2: Programme Performance	9
Voted Funds	9
Departmental revenue, expenditure and other specific topics	9
Departmental expenditure	9
Transfer payments	10
Aim of the Vote	10
Programme purpose and measurable objectives	11
Broad policies, priorities and strategic goals	12
Programme 1: Administration	26
Programme 2: Service Delivery	35
Programme 3: Employment and Skills Development Services/Human Resource Development	53
Programme 4: Labour Policy and Labour Market Programmes	67
Programme 5: Social Insurance	68
National Skills Fund	69
Section 3: Report of the Audit Committee	77
Section 4: Annual Financial Statements	79
Department of Labour	
Report of the Auditor-General	80
Report of the Accounting Officer	88
Appropriation Statement	105
Notes to the Appropriation Statement	115
Statement of Financial Performance	118
Statement of Financial Position	119
Statement of Changes in Net Assets	120
Cash Flow Statement	121
Accounting Policies	122
Notes to the Annual Financial Statements	130
Disclosure Notes to the Annual Financial Statements	139
Annexures	156
Sheltered Employment	
Report of the Auditor-General	164
Statement of Responsibility by the Accounting Officer	171
Report of the Accounting Officer	172
Balance Sheet	175
Income Statement	176

Annual Report

Statement of Changes in Equity	177
Cash Flow Statement	178
Accounting Policies	179
Notes to the Annual Financial Statements	189
Detailed Income Statement	197

National Skills Fund

Report of the Auditor-General	199
Report of the Accounting Officer	204
Approval of Accounting Authority	213
Statement of Financial Performance	214
Statement of Financial Position	215
Statement of Changes in Net Assets	216
Cash Flow Statement	217
Accounting Policies	218
Notes to the Annual Financial Statements	227

Section 5: Human Resource Management 247

1 Expenditure	247
2 Employment and vacancies	249
3 Job evaluation	251
4 Employment changes	252
5 Employment equity	256
6 Performance rewards	259
7 Foreign workers	261
8 Leave utilisation	262
9 HIV and AIDS and Health Promotion Programmes	263
10 Labour relations	265
11 Skills development	267
12 Injuries on duty	268
13 Utilisation of consultants	269

Section 1

General Information

Introduction

The Department of Labour is pleased to present its Annual Report in terms of the Public Finance Management Act for the 2008/09 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 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.



S Morotoba
Acting Director-General
of Labour

General Information

2 Ministry of Labour

2.1 Institutions reporting to the Executive Authority

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

The President signed the Skills Development Amendment Act, 2008 on 27 November 2008.

2.3 Ministerial visits abroad

Ministerial Visits abroad
1 April 2008 to 31 March 2009

Description	Date	Purpose of visit
Kingdom of Lesotho	31 March to 4 April 2008	SADC Committee Meeting of Ministers responsible for Employment and Labour and Social Partners
International Labour Organisation (ILO)	28 May to 13 June 2008	97 th Session of the International Labour Conference; Geneva
Korea	29 June to 2 July 2008	XVIII World Congress on Safety and Health at Work
Azerbaijan	24 to 27 September 2008	4th Global Youth Employment Summit
Namibia	20 October 2008	Signing of the Memorandum of Understanding on Labour
Cuba	1 to 15 November 2008	Study Tour on Safety and Health at Work
International Labour Organisation (ILO)	6 to 21 November 2008	303rd Session of the Governing Body; Geneva

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 and safety
- Concluding agreements for the performance of a particular act or particular work or for the

General Information

rendering of a particular service.

4.2 Commission for Conciliation, Mediation and Arbitration

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

The Commission's functions are to:

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

4.3 Commission for Employment Equity

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

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

- Codes of good practice issued by the Minister in terms of section 54 of the Act
- Regulations made by the Minister in terms of section 55
- Policy and any other matter regarding this Act
- Issuing awards of achievement by employers in furthering the purposes of the Act
- Any matter relating to the application of this Act, including appropriate and well-researched norms and benchmarks for the setting of numerical goals in various sectors 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).

General Information

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).

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

General Information

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.

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	FASSET
Banking Sector Education and Training Authority	BANKSETA
Chemical Industries Education and Training Authority	CHIETA
Clothing, Textile, Footwear and Leather Education and Training Authority	CTFL SETA
Construction Education and Training Authority	CETA

General Information

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

4.10 Umsobomvu Youth Fund (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.

General Information

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	Under-expenditure
	R'000	R'000	R'000	R'000
Programme 1	387 207	384 207	372 906	11 301
Programme 2	690 361	702 331	621 350	80 981
Programme 3	203 700	178 465	172 489	5 976
Programme 4	441 142	472 102	469 730	2 372
Programme 5	10 501	10 501	6 366	4 135
Total	1 732 911	1 747 606	1 642 841	104 765
Responsible Minister	Minister of Labour: MMS Mdladlana, MP			
Administering Department	Department of Labour			
Accounting Officer	Acting Director-General of Labour: S Morotoba			

Departmental revenue, expenditure and other specific topics

Collection of departmental revenue

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual	% deviation from target
	R'000	R'000	R'000	R'000	R'000	%
Tax revenue	-	-	-	-	-	-
(Specify)						
Non-tax revenue	2 866	4 443	5 733	5 744	8 995	56.59
Sales of capital assets (Capital revenue)	42	-	-	-	-	-
(Specify)						
Financial transactions (Recovery of loans and advances)	1 451	1 640	2 715	2 588	19 868	667.00
Total departmental receipts	4 359	6 083	8 448	8 332	28 863	246.41

Departmental expenditure

Programme	Voted for 2007/08	Roll-overs and adjustments	Virement	Total voted	Actual expenditure	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	387 207	-	(3 000)	384 207	372 906	11 301
Programme 2	690 361	11 970	-	702 331	621 350	80 981
Programme 3	203 700	13 517	(38 752)	178 465	172 489	5 976
Programme 4	441 142	-	30 960	472 102	469 730	2 372
Programme 5	10 501	-	-	10 501	6 366	4 135
Total	1 732 911	25 487	(10 792)	1 747 606	1 642 841	104 765

Programme Performance

Transfer payments

Transfers to be listed and reported on include amongst others:

- transfers to provinces
- transfers to local governments
- transfers to Public Entities
- transfers to NGO's and civil society
- capital transfers e.g. Transfers to the National Roads Agency

Name of institution	Amount transferred	Estimate expenditure
	R'000	R'000
Departmental Agencies and Accounts		
Compensation Fund	6 366	10 500
Unemployment Insurance Fund	-	1
Commission for Conciliation, Mediation and Arbitration	261 710	261 710
National Productivity Institute	41 138	41 138
National Skills Fund	46 949	46 949
Strength Civil Soc Lab Reb Trans (Development Institute for Training, Support and Education for Labour (DITSELA))	15 903	15 903
National Economic Development and Labour Council (NEDLAC)	13 959	13 959
Umsobomvu Youth Fund	5 080	5 080
Statutory		
Sector Education and Training Authorities	5 787 308	5 787 308
National Skills Fund	1 446 827	1 446 827
Foreign Government/International Organisations		
International Labour Organisation (ILO)	9 777	9 777
ARLAC	600	600
Non-Profit Institutions		
SA National Council for the Blind	237	249
Deaf Federation of South Africa	105	163
National Council for the Physical Disabled	159	200
Subsidised workshops for the blind	7 365	7 365
Subsidised work centres for people with disabilities	95 411	95 411
Households: Leave Gratuity	1 051	1 051
Retirement Benefit	179	179
Severance Package	2 203	2 203
Donations, Sponsorships	1 206	1 206
	7 743 533	7 747 779

Aim of the Vote

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

Programme Performance

Programme purpose and measurable objectives

Programme 1:	Administration
Purpose:	Conduct the overall management of the department and provide support and advisory services.
Programme 2:	Service Delivery
Purpose:	Protect the health and safety of workers and implement and enforce Department of Labour policies.
Measurable objective:	Ensure the effective, efficient and integrated implementation of legislation, standards, guidelines and policies through the provision of inspection and enforcement services, employment services, and labour market information and statistical services.
Programme 3:	Employment and Skills Development Services/Human Resource Development
Purpose:	Achieve the strategic objectives and equity targets of the national skills development strategy and contribute to the achievement of the strategic objectives of the national human resources development strategy.
Measurable objective:	Achieve the success indicators of the national skills development strategy targets through managing service level agreements and providing support services to all SETAs and the effective management of the strategy.
Programme 4:	Labour Policy and Labour Market Programmes
Purpose:	Establish an equitable and sound labour relations environment and promote South Africa's interests in international labour matters through research, analysing and evaluating labour policy and providing data and statistics on the labour market, including providing support to institutions that promote social dialogue.
Measurable objective:	Develop labour legislation and policy to reduce conflict and inequalities and improve working conditions and equity in the labour market, including through fulfilling South Africa's obligations to international and regional organisations.
Programme 5:	Social Insurance
Purpose:	Provide for administrative and other support services to the Unemployment Insurance Fund (UIF) and the Compensation Fund, and manage government's contribution to the activities of these funds.
Measurable objective:	Support and ensure sound administration of the Compensation Fund and manage government financial assistance to the Funds, for efficiency and financial sustainability.

Programme Performance

Broad policies, priorities and strategic goals

Government priorities for 2009 to 2014

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

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

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

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

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

Strategic Objective: Contribution to employment creation

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

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

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

Programme Performance

- Rehabilitation and re-integration of workers who sustained injuries.

Strategic Objective: Protecting vulnerable workers

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

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

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

Strategic Objective: Protecting vulnerable workers

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

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

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

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

Programme Performance

- The ministerial determination for the Expanded Public Works Programme will be amended.

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

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

Strategic Objective: Promoting sound labour relations

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

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

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

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

Programme Performance

On conditions of employment, certain provisions are not applicable or are not applied in practice. In some instances workers are forced to enter into contracts of employment that erodes their rights in terms of the law. Some of the labour brokers undermine health and safety rules by subjecting employees to working conditions that are hazardous.

Strategic Objective: Monitoring the impact of legislation

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

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

To this end the Department will:

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

Strategic Priority 2: Strengthen our skills and human resource base

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

Strategic Objective: Enhancing skills development *

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

The NSDS will also contribute to the following:

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

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

Programme Performance

Formally establishing the Quality Council for Trades and Occupations (QCTO); establishing Productivity SA; listing the National Skills Fund as a public entity; introducing additional functions to the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) to moderate artisan assessments; expanding the provision of employment services to work-seekers; and introducing a register of artisans. These developments will: improve the quality of training, including more effective workplace learning; improve and sustain productivity in both the private and public sectors, which will save jobs and contribute to economic growth; improve the operational efficiency of the National Skills Fund to train more unemployed people, in line with the National Skills Development Strategy (NSDS) targets; provide increased access to learners for trade assessment; and professionalise and promote the training of artisans in response to labour market demands.

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

Strategic Priority 3: Improve the health profile of the nation

The Department will contribute towards this government strategic priority by:

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

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

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

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

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

Strategic Objective: Contribution to employment creation

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

Strategic Objective: Enhancing skills development

- Improved participation of Small, Medium and Micro Enterprises (SMMEs) in skills development

Programme Performance

- Improved productivity through work-based skills intervention programmes
- Assisting youth to enter the labour market through learnerships, apprenticeships, internships, bursaries and other scarce skills programmes
- Improved literacy levels through ABET interventions and incentives to improve the quality of learning through SAQA accreditation.

Strategic Priority 5: Intensify the fight against crime and corruption

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

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

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

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

Furthermore:

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

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

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

Strategic Objective: Strengthening social protection

Parliament has passed a series of legislation aimed at providing a social safety net, including the provision of social support to workers in the event of temporary loss of income due to

Programme Performance

unemployment or work related injuries. In the next five years, the Department will seek to strengthen these social support systems. The support will include:

- Ensuring an improved client satisfaction of the Unemployment Insurance Fund and Compensation Fund's services
- The restructuring of the Unemployment Insurance Fund and the Compensation Fund for improved service delivery
- Achieving financial viability and sustainability of the Unemployment Insurance Fund and the Compensation Fund
- Improvement in revenue collection by at least 10 % during the first year
- Legislative amendments to the UI Act to increase coverage to civil servants
- Improve the efficiency of the Unemployment Insurance Fund with regards to revenue management and payment processes
- Improve revenue inflows by at least CPIX
- Improve benefits payable to beneficiaries
- Extend unemployment insurance coverage to workers in the informal sector.

Strategic Priority 7: Build cohesive, caring and sustainable communities

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

Strategic Objective: Enhance Skills Development

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

Strategic Priority 8: Sustainable resource management and use

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

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

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

Strategic Objective: Strengthening multilateral and bilateral relations

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

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

The Department will contribute by:

Programme Performance

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

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

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

Strategic Objective: Strengthening the capacity of labour market institutions

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

In this regard the Department will:

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

Priorities: 2009/10 Financial Year

1. Contribute to employment creation

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

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

Programme Performance

- 1.7 competitiveness of enterprises to save 15 000 jobs.
Develop a draft Employment Services Bill.

2. Inspection and Enforcement Services (IES)

- 2.1 Ensure IES marketing and information sessions to domestic and farm workers, and wide consultation with labour unions to encourage the creation of structures for the unionisation of these workers, targeting three information sessions per province.
- 2.2 Implementation of the IES Strategy with its three pillars:
- Pillar One: Professionalisation of the Inspectorate
 - Pillar Two: Customer Centric Services
 - Pillar Three: Improved Compliance.

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

- 2.3 Conduct focused advocacy and inspections and enforcement in the Hospitality, Tourism and Security sectors.
- 2.4 Each Provincial Office to identify companies and conduct inspections in these sectors for focused inspections as follows:
- Hospitality 30
 - Tourism 30
 - Security 20

3. Decent Work

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

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

4. Strengthen the institutional capacity of the Department:

4.1 Finalise quick wins of the “Functional Shift”:

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

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

- Identify and document all outstanding items as agreed in the PPP and agree on an implementation plan to finalise these within the contract period
- Resolve all outstanding contractual and administrative matters if any exist
- Review the PPP to determine the strengths, weaknesses, shortcomings and challenges during the contract period

Programme Performance

- Identify future options and research these options to determine the best one for the Department (in-house IT management or another PPP)
- Develop an operational framework for the preferred option
- Develop and implement a “phase-out phase-in” programme (Transitional plan).

5. Contribution to Anti-Poverty Strategy

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

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

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

Programme Performance

Public Entities

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

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

Commission for Conciliation, Mediation and Arbitration (CCMA)

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

The Commission's functions are to:

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

Compensation Fund

The Compensation Fund was established in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (COIDA). The functions of the Fund are to provide compensation resulting from:

- Occupational injuries
- Diseases
- Death of workers in the course of their employment.

National Economic, Development and Labour Council (NEDLAC)

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

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic

Programme Performance

policy

- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament
- Encourage and promote the formulation of coordinated policy on social and economic matters.

Furthermore, and to achieve the above, the Council:

- May investigate as it may consider necessary and shall continually survey and analyse social and economic affairs
- Shall keep abreast of international developments in social and economic policy
- Shall continually evaluate the effectiveness of legislation and policy affecting social and economic policy
- May conduct research into social and economic policy
- Shall work in close cooperation with government departments, statutory bodies, programmes and other forums and non-governmental agencies engaged in the formulation and the implementation of social and economic policy.

Productivity South Africa

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

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

Sectoral Education and Training Authorities (SETAs)

A total of 23 Sectoral Education and Training Authorities (SETAs) were established for a period of 60 months in terms of section 9 of the Skills Development Act, 1998 and may apply to be re-certified for another period of 60 months or for a period as will be determined by the Minister.

The SETAs are as follows:

- Banking Sector Education and Training Authority
- Chemical Industries Education and Training Authority
- Clothing, Textiles, Footwear and Leather Sector Education and Training Authority
- Construction Education and Training Authority
- Safety and Security Sector Education and Training
- Education, Training and Development Practices Sector Education and Training Authority
- Energy Sector Education and Training Authority
- Financial and Accounting Services Training Authority
- Food and Beverages Manufacturing Industry Sector Education and Training Authority
- Forest Industries Sector Education and Training Authority
- Health and Welfare Sector Education and Training Authority
- Information Systems, Electronics and Telecommunications Technologies Training Authority

Programme Performance

- Insurance Sector Education and Training Authority
- Local Government, Water and Related Services Sector Education and Training Authority
- Manufacturing, Engineering and Related Services Sector Education and Training Authority
- Media, Advertising, Publishing, Printing and Packaging Training Authority
- Mining Sector Education and Training Authority
- Agriculture Sector Education and Training Authority
- Public Sector Education and Training Authority
- Services Sector Education and Training Authority
- Tourism and Hospitality Education and Training Authority
- Transport Education and Training Authority
- Wholesale and Retail Sector Education and Training Authority.

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

- Develop sector skills plans within the framework of the National Skills Development Strategy
- Implement sector skills plans through establishing learnerships
- Approve workplace skills plans
- Allocate grants in the prescribed manner to employers, workers, and education and training providers
- Monitor education and training in the sector
- Promote learnerships by identifying workplaces for practical work experience and registering learnerships
- Any other functions as required in terms of their approved constitution.

Unemployment Insurance Fund (UIF)

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

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

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

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

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

Umsobomvu Youth Fund (UYF)

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

Programme Performance

financing institutions and will be undergoing a mandate alignment based on the findings. The organisation's priorities are informed by the Accelerated and Shared Growth Initiative for South Africa (ASGISA), the National Skills Development Strategy (NSDS) and the anticipated national youth policy. The UYF has contributed to achieving these national policy objectives by:

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

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

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

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

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

Programme Performance

Programme 1: Administration

Communication

The Chief Directorate of Communication continues to ensure that information about programmes, initiatives and services of the Department is disseminated to the relevant stakeholders and target audiences. Various communication channels specifically identified and suitable for different audiences have been utilised in this regard as a way of attaining government's objective of interacting with constituencies. The disseminated information emanated from the various components of the Chief Directorate, which include:

● Stakeholder Relations

This section has through exhibitions showcased the services of the Department at the Small Business Week in the Northern Cape, Pretoria Show in Pretoria, Public Service Week in the Northern Cape, National Skills Conference at Gallagher Estate, Midrand, HRD in Africa in Johannesburg, Rand Show in Johannesburg, Izimbizo in Northern Cape, Limpopo and KwaZulu-Natal.

● Marketing and Advertising

During the financial year under review, 20 Marketing and Advertising Campaigns were implemented. These include: Workers Rights are Human Rights, Employment Equity Reporting Campaign, QCTO Road-show Awareness Campaign, Domestic Workers Sectoral Determination and Wage Increase Awareness Campaign, OHS Campaign, Learnerships Adverts for Matriculants, Public Invite to Private Security Public Hearings and Strategic Projects Programme.

● Media Liaison

This section is tasked to profile the Department in both the print and electronic media through the writing of features, media statements, organising media conferences on crucial labour related matters, as well as arranging interviews for the Executive Authority and Senior Managers of the Department, where the policies, programmes and departmental services are explained to members of the public. Some of the statements generated by this component of the Chief Directorate include:

- Statements on Safety and Health Day held in Port Elizabeth in May 2008
- Articles on the Employment Equity Road-shows
- Six features have been published in the Sunday Times, Sowetan and City Press
- Other features were published in Staff Communiqué, the Department's internal newsletter, as well as articles on the SADC Employment and Labour Sector.

Human Resource Management

Introduction

The mission of the Department's Human Resource Management 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 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 Resource (HR) Plan for 2006-2009 is in place.

In its quest to further empower Senior Management Service (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 Khaedu programmes in

Programme Performance

Programme 1: Administration

line with the SMS Handbook.

The management of employee performance in the Department for SMS and employees at Salary Range level 12 and lower has significantly improved as most SMS members have complied with the obligation to complete and submit performance agreements and reviews. Employees at Salary Range level 12 and lower have also participated and complied with the requirements of the Performance Management policy.

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

The Department is promoting the Health and Wellness of employees. The four key Pillars that inform the Health and Wellness programme are HIV and AIDS and TB Management, Disease Management, Health and Productivity Management and Safety, Health, Environment, Risk and Quality Management (SHERQ). The Department is currently implementing the following pillars: HIV and AIDS and TB Management, Disease Management, Health and Productivity Management.

Candlelight Memorial, Wellness Day, VCT and World Aids Day were commemorated in December 2008.

The Department also continues to ensure that gender, disability and youth issues are mainstreamed into its strategic plan and policies.

Employment Equity continues to be implemented as one of the Department's key strategic areas. As a result, progress with regards to the implementation of the Departmental Employment Equity Plan is continuously reported to Top Management. Progress with regards to the implementation of the Employment Equity Plan 2006 to 2009 is monitored on a monthly basis by Local Employment Equity Forums (LEECFs) and on a quarterly basis by the National Employment Equity Consultative Forum (NEECF). Comparative EE representativity profiles are updated on a monthly basis to monitor the achievement of the numerical goals.

Office of the Chief Financial Officer (CFO)

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

Directorate of Financial Management

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

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

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

Financial Management provided information and support in the finalisation and conclusion of audit queries issued to the Department of Labour, the Sheltered Employment Factories and the National Skills Fund for the 2008/09 financial year. In collaboration with the Office of the Director-General, regular Audit Query Forums were held in order to monitor and report on all corrective actions taken to address matters raised by the Office of the Auditor-General. The forum focused on audit reports throughout the Department, including the National Skills Fund, Sheltered Employment Factories,

Programme Performance

Programme 1: Administration

INDELELA, the Compensation Fund and the Unemployment Insurance Fund. In addition to this, Audit Steering Committee meetings were also conducted on a regular basis, where the Chief Financial Officer of the Department is also present.

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

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

Financial Management also provided support to all of the Main Divisions of the Vote regarding the processing of subsistence and travel advances and claims, the payment of salaries and service benefits, salary deduction reconciliations and payment processes, BAS/PERSAL reconciliations and the management of departmental debt in line with the Department's debt management policy. The Department managed to submit its 2008/09 income tax reconciliation to the South African Revenue Service (SARS) before the determined deadline.

Directorate of Financial Liaison – Public Entities

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

During the year under review, the focus of the Directorate was, amongst others, the:

- Implementation of enhancements to the Annual Financial Statements' template in order to conform to the revised National Treasury's reporting requirements
- Facilitation and assistance with the submission and consolidation of the quarterly financial reports and the analysis thereof
- Identification in performance gaps, including the production and generation of consolidated management reports for early warning purposes
- Analysis and capturing of budget information of all Sector Education and Training Authorities (SETAs) onto a database
- Analysis of project and discretionary reserve budgetary planning, and assisting SETAs with Discretionary Reserve planning
- Establishment of the final approved changes to the accounting standards applicable to the current financial year, and disseminated relevant information to Public Entities
- Following up on critical Public Entities and the provision of feedback, guidance and support
- Continuation with capacity building, training and skills transfer to Public Entity personnel
- Analysis of Annual Financial Statements to ascertain Public Entities' financial positions, production of reports reflecting the findings and overall financial performance evaluation, including recommendations on the suggested individual Public Entities
- Commencement with the building of profiles on individual Public Entities.

The Directorate has also continued in providing financial advisory services to Programme 4: Labour Policy and Labour Market Programmes on the assessment of employers' abilities to pay minimum wages, concerning individual applications for exemption from Sectoral Determinations. The number of affected workers boards on 1 441.

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

Programme Performance

Programme 1: Administration

Arbitration, Productivity SA and National Economic Development and Labour Council (NEDLAC).

Directorate of Office Administration and Supply Chain Management

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

Supply Chain Management (SCM) 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 and also assisted the National Skills Fund (NSF) to align their procurement procedures to supply chain management best practices by drafting workflow processes and conducting workshops where the NSF procurement procedure manual was drafted.

Supply Chain Management also provided ongoing support to numerous units with regard to the utilisation of iQual and Logis as and when the need arose when chief users are either new or absent. Guidelines on various procedures with regard to procurement, contract management, warehouse issues and irregular expenditure were issued in various circulars during this financial year for ease of reference to all users.

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

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

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

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

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

Approval was secured for the designation of the departmental records manager and briefing sessions were held with the National Archive and Records Management of South Africa.

A Subdirectorate of Asset Management has been established at the Department's Head Office. National asset verification has been conducted for 2008/09. Major asset registers are in place for all provincial offices, INDLELA and Head Office. Asset Inventory Controllers are appointed at Head Office, provincial offices and INDLELA.

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

Programme Performance

Programme 1: Administration

Information Technology

Introduction

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 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) Contract 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. The Department on the other hand is responsible for identifying the business requirements and for documenting and mapping the business processes that need to be IT enabled. 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 fully operational, forms the foundation for open debate and a trusting relationship.

Achievements

The following achievements are noted in terms of the respective business areas:

Governance

- The governance structures established to manage and capitalise on the benefits of the PPP arrangement continued to function optimally. The PPP Contract sets out the key roles and responsibilities of the Department and SIS 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 during the reporting period in accordance with the PPP Agreement
- A set of policies were developed to cover the key areas within the IT environment, namely information systems security, network and user security, acceptable use, email and Internet and disk space allocation. The policies were communicated and enforced during the reporting period
- A risk assessment and risk exposure analysis were completed for the IT environment to enable the mitigation of risk more efficiently

Programme Performance

Programme 1: Administration

- An IT disaster recovery plan has been developed and approved. The implementation phase will be scheduled during this financial year.

Business applications

- The development of systems and automation of processes for the Compensation Fund is dependant on the Fund streamlining and optimising its processes. In November 2008, the business process mapping, optimisation and benchmarking was completed and handed over to the IT partner for automation. Additional functionality and enhancements to current legacy systems received attention throughout the reporting period
- Various enhancements and additions have been made to the Employment Equity System (EE) in support of changing business requirements during the 2008 reporting period. A project has been initiated to stabilise the system and to ensure data integrity in terms of the Management Information System (MIS) reporting facility. More than 11 000 reports have been submitted successfully during the 2008 period of which more than 4 000 reports were submitted through the online facility. An estimated 7 200 companies are currently on the Public Register
- The Employment Services System (ESSA) has been rolled out to all labour centres and provinces in collaboration with the support of key business managers. Various enhancements and maintenance activities have been done to the system to ensure stability and data integrity, especially when it comes to MIS reporting. Refresher training was conducted during the months of October and November 2008. Change management and staff capacity has been identified as the key success enablers for optimising the usage of the ESSA system country wide
- The Financial Management System Implementation for the Unemployment Insurance Fund (UIF), National Skills Fund (NSF) and Compensation Fund (CF) has been initiated during the reporting period. Blueprint phases are in progress to verify business processes and to recommend the to-be processes moving forward
- The development of an Integrated Client Database (ICD) has been registered as a priority project within the Office of the Director-General. The Deputy Director-General of Corporate Services has been appointed as the project sponsor while the Chief Information Officer (CIO) has been appointed as the project leader. Renewed focus has been placed on the importance of the ICD and what benefits it brings for a services organisation such as the Department of Labour
- An inspection and enforcement case management system is currently being developed. The system will facilitate proactive compliance interventions in line with the Department's strategic objectives to protect vulnerable workers and to ensure a safe working environment.

Operations

- Service delivery was enabled at remote sites by providing an IT service to the 20 mobile labour centres
- The bandwidth of the data lines of several departmental offices was upgraded to improve the response times of the IT business applications
- Ninety six environmental racks have been installed at departmental offices throughout the country. These racks ensure the security of the infrastructure and provide the necessary environmental facilities required in terms of air-conditioning and power supply. A maintenance and support service level agreement is currently being finalised with SITA for environmental racks
- The Department's Website was upgraded using FOSS (Free and Open Source Software) and additional features were developed to enhance the content management features as well as to improve the stability of the website. The new website that has been in operation since late 2008

Programme Performance

Programme 1: Administration

has been singled out in the UN E-Government Survey 2008 as an excellent example of a public agency website that is well tailored to the needs of its stakeholders.

Challenges

The following are the challenges for the 2009/10 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.

Internal Audit

Introduction

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

Achievements

- A total of 57 audits were scheduled for the Department including the National Skills Fund and the Sheltered Employment Factories. A total of 42 final reports were issued. Fifteen audits could not be performed due to the lack of resources. During 2007/08 51 audits were completed
- The Audit Committee of the Department held seven meetings, assisted by Internal Audit, providing secretarial services
- Internal Audit provided consulting services, specifically to the Audit Committee, IT Audit Forum, strategic meetings, etc.
- A comprehensive list of strategic and operational risks facing the Department, the National Skills Fund and the Sheltered Employment Factories were maintained to form the basis for the annual risk assessments to be performed by management.

Challenges

- Lack of resources, to cover all risk areas within the Department, the National Skills Fund and the Sheltered Employment Factories. Currently there are eight Internal Auditor and Senior Internal Auditor posts vacant. During 2007/08, seven posts were vacant
- There is a lack of specialised skills in the areas of IT auditing and Performance auditing. The Department decided to make use of consultants to provide co-sourcing specialised skills, and in the interim to appoint contract workers to assist with the normal effectiveness/compliance audits during the 2009/10 financial year.

Programme Performance

Programme 1: Administration

Security Services

Physical security measures

1) Electronic Security Systems and Security Appraisal Implementation

- The electronic security system was implemented at the Labour Centre: Durban, which was completed in March 2009. This was as a result of the striking workers that invaded the Labour Centre and damaged assets and injured staff, also due to theft of computers and laptops. The cost of the project amounted to +-R1.7 million
- Bids have been invited for the electronic security system to be implemented at the Compensation Fund. The present system is old and costly in maintenance. A number of security breaches that occurred could not be identified on the present system. The estimated cost of the project will be in the amount of +-R6 million. Approval of the bid is awaited from the BID committee at the Compensation Fund
- Security appraisals and assessments were implemented at the Northern Cape Provincial Office, Labour Centre: Springs, Limpopo Provincial Office, Gauteng North Provincial Office, Mpumalanga Provincial Office, Gauteng South Provincial Office and INDLELA.

2) Contract Security

- The Mpumalanga Province, Northern Cape Province, Limpopo Province and Eastern Cape Province were 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 therefore have security to protect State property, assets, information and equipment.

3) Izimbizo

- The National Skills Conference was held at Gallagher Estate in Midrand, during October 2008. The Directorate of Security Services coordinated all security arrangements for the Department and the Minister
- The Department hosted the World Day for Safety and Health at Work event in May 2008 in Port Elizabeth, Eastern Cape Province. The Directorate of Security Services co-ordinated the security arrangements and access control with the various security and emergency services for the Minister, VIP's, Mayor and the public. There were about 5 000 people that attended the event which was a success
- Security arrangements were also coordinated for the Ministerial Izimbizo in Ntabankulu, Eastern Cape Province; Thohoyandou, Limpopo Province; Richards Bay, KZN Province (twice) and Keiskammahoek, Eastern Cape for the 2008/09 year. Security arrangements were coordinated for the Minister at workshops at UIF, Boksburg and Kopanong in Benoni.

4) Contingency Planning Compliance

- The evacuation drill exercise was conducted at Head Office in March 2008. Disaster Management from the Tshwane Metro and Fire Department assisted in making the drill a success. All contingency officers were trained in fire fighting and First Aid before the evacuation drill
- Contingency plans were implemented at Mpumalanga Provincial Office, Gauteng South Provincial Office, Limpopo Provincial Office and Northern Cape Provincial Office.

Information security measures

Security Awareness programme

- The Security Awareness Programme and the Security Roll-out strategy was presented at the

Programme Performance

Programme 1: Administration

following offices, Limpopo; Gauteng South; Free State; DG's Office; Ministry and NSF. The purpose of the awareness programme and security strategy was to ensure that all staff members understand their roles and responsibilities as far as security measures and prescripts are concerned. Stake holders like NIA; SAPS; ER Signs and Disaster Management also presented on matters related to their fields.

Personnel Security

- The Directorate issued a circular to inform officials on Personnel Suitability Checks which should be conducted by the Department and other Organs of State which is a pre-requisite before employing personnel. In line with the approved Vetting Strategy, the Minister of Public Service and Administration has issued a directive that the verification prescribed in Public Service Regulation 2001, Chapter 1, part VII D. 8(a) must with effect from 1 January 2008 cover the following areas-: Criminal record checks, citizenships verification, financial record checks, qualifications verifications, and references. The process is being conducted in all departmental offices. Identified officials who will be responsible for the PSC from all departmental offices were trained by NIA on the PSC and Head Office is rolling out to the Provinces.

Investigations

- Since the Department embarked on conducting investigations on the security breaches and theft of IT equipment, the cases on the loss of IT equipment has drastically reduced by 75% and where it was found to be negligence, the officials had to pay back the Department the rand value of that equipment. The theft of plasma screens has gone down by 80%
- A Compliance check list was compiled and circulated to all Provinces to be completed whenever a loss has occurred due to theft, robbery or any unknown reason, or where the Department suffered damages as a result of motor vehicle accidents, or other incidents involving motor vehicles or any other security breach.

Establishment of the vetting unit

- The request for the establishment of the vetting unit was re-submitted to the CFO for funding of the posts. The backlog for Screening/Vetting is so serious and NIA cannot cope with the workload. The vetting strategy was approved by Cabinet in December 2006 and the Department was not part of the priority list for the funding of the establishment of the unit hence the request to National Treasury for funding. In terms of the departmental priority vetting list compiled by the Security Directorate, 4 500 posts were identified for vetting. A total of 455 officials have already been vetted. The delay by NIA in vetting all government officials resulted in a huge backlog in terms of vetting. NIA embarked on a programme to decentralise the vetting field work to government departments.

Training

The following courses were attended by officials in the Directorate as part of their PDP'S

- NIA-Security Managers Course
- UNISA- Security Risk Management Course
- Disaster Recovery Course.

Programme Performance

Programme 2: Service Delivery

ENE 2008/09-2010/11 Measurable Objectives:

- Increase percentage of registered work-seekers placed in registered employment opportunities to 70% by 2010/11
- Assess and refer 10% of work-seekers to identified critical and scarce skills development programmes by 2010/11
- Ensure training of 90 000 unemployed people, 70% placed and 26% of training is accredited by 2010/11
- Reduce workplace related injuries, illnesses and deaths by 2% by 2010/11
- Ensure 75% compliance with labour legislation by inspected workplaces 2010/11
- Promulgate the National Occupational Health and Safety legislation and implement Act by March 2010
- UIF completed claims processed and paid within 4 weeks.

KRA 1: Contribute to employment creation

1.1 A single Integrated Employment Services System is rolled out and enhanced to ensure improved access to employment services

The Employment Services System was developed in 2006 and enhancements to improve the efficacy of the system are continuing. The roll-out of the Integrated Employment Services System to all 125 labour centres of the Department to implement the Registration Services, Placement Services, Information Services, and Special Services together with the pilot study in Thohoyandou and Pretoria Labour Centres to implement Career Information and Guidance Services progressed well. More job-seekers accessed Employment Services and were supported, especially through career counseling and assessments, networking with stakeholders, the matching of individuals to opportunities, recruitment and selection to access opportunities.

There is an increasing awareness by stakeholders of the availability of the system and this resulted in more placement opportunities (employment and learning) reported and listed on the database.

Registration Services includes registering job-seekers, employers, opportunities (jobs and learning) and training providers.

ENE 2008/09-2010/11 Measurable Objective: Increase percentage of registered work-seekers placed in registered employment opportunities to 70% by 2010/11.

The number of registered work-seekers and placement opportunities registered on the database increased by 252 627 and 10 968 (7 553 job opportunities) respectively compared to 2007/08.

- Over **421 686** job-seekers were registered on the database compared to 169 059 in 2007/08, and
- Over **26 332** (22 917 job and 3 415 learning) placement opportunities were registered on the database compared to only 15 364 job opportunities registered in 2007/08.

Programme Performance

Programme 2: Service Delivery

Table 2.1

Provincial Office	Job-seekers registered	Target job opportunities registered	Total job opportunities registered	Learning opportunities registered	Job-seekers placed in employment	Job-seekers placed in learning opportunities	Target % placed in jobs	% placed in jobs	% placed in learning opportunities
EC	33 301		1 035	464	1 009	464		97.4%	100%
FS	37 832		840	179	780	179		92.8%	100
GN	44 454		4 944	0	516	0		10.4%	0
GS	44 386		2 589	1 026	1 491	1 026		57.8%	100
KZN	86 945		4 232	828	6 534*	828		*	100
LP	39 256		1 706	215	1 239	215		72.6%	100
MP	43 961		2 072	0	2 110*	0		*	100
NC	8 088		219	20	316*	20		*	100
NW	9 160		488	505	225	505		46%	100
WC	74 303		4 792	16*	678	178*		14%	*
Total	421 686		22 917	3 253	14 898	3 415*		65%	104.9%

Table 1 Registration and placement numbers with effect from 1 April to 31 March 2009. (* not justifiable noting the registered placement opportunities)

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

Placement services include identifying opportunities through networking with stakeholders, the matching of individuals to opportunities, recruitment and selection for a particular opportunity, and placement.

ENE 2008/09-2010/11 Measurable Objective: Increase percentage of registered work-seekers placed in registered employment opportunities to 70% by 2010/11.

Over **70%** of the registered placement opportunities (65% permanent employment and 104.9%* learning opportunities) were filled compared to 36.3 in 2007/09

- Over 18 404 (14 898 in employment and 3 415 in learning opportunities) job-seekers were placed in 26 332 placement opportunities registered on the ESSA database against a target of 15 000 compared to 5 578 in 2007/08; and
- Over 14 898 (65%) job-seekers placed against the 22 917 registered permanent employment opportunities against a target of 3 600 compared to 5 578 (36%) in 2007/08.

Employment Services Regulations were finalised and submitted for legal rectification prior to Ministerial approval. Promulgation is scheduled for the 2009/10 financial year. This will enhance the reporting and registration of job opportunities, and placement of job-seekers.

Career Information and Guidance Services includes provision of employment counseling; Labour market, and scarce and critical skills information and guidance on accessing placement

Programme Performance

Programme 2: Service Delivery

opportunities.

ENE 2008/09-2010/11 Measurable Objective: Assess and refer 10% of work-seekers to identified critical and scarce skills development programmes by 2010/11.

- 8 531 registered job-seekers were assessed and 7 343 (86%) were referred to identified critical and scarce skills development programmes against a target of 6 000 compared to 17 375 assessed and 13 039 referred in 2007/08
- 7 546 (89%) of the 8 531 learners were assessed with the SpEEx assessment instrument for learnerships, internships, etc. These were mainly for strategic government job creation initiatives such as Coega, Department of Health contribution to EPWP NYS (data capturers) the EPWP NYS Infrastructure, GTZ ALMS project, the transport and construction sectors and the PSETA for a hygiene and cleaning learnership.

Table 2.2

Province	Target of job-seekers to be assessed	Total job-seekers assessed	Total identified scarce and critical skills dev. programmes registered	Total referred to identified scarce and critical skills dev. programmes	% referred to identified scarce and critical skills development programmes	% placed
EC	780	2 204		1 483		
FS	540	1 301		330		
GN	480	471		431		
GS	660	654		2 648		
KZN	780	1 368		1 002		
LP	540	885		411		
MP	660	762		762		
NC	480	217		0		
NW	540	339		123		
WC	540	468		153		
Total	6 000	8 669		7 343		

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

The Resource Centre and Career Information and Guidance Services were introduced in the pilot sites.

Resource Centre functions: Resource Centres established with workstations equipped with six and eight Computers (Thohoyandou and Pretoria labour centres respectively) with career websites, PACE career programme and UYF youth portal available for clients. Computer literate job-seekers were able to perform do-it-yourself registrations and job-search activities.

Programme Performance

Programme 2: Service Delivery

- Over 4 141 clients accessed the service; with 2 975 job-seekers performing do-it-yourself registrations and job-search activities (2 906 Pretoria and 69 Thohoyandou)
- A roving team of 37 staff members was established and 52 staff members were trained (37 in career information and guidance and life skills and 15 in an accredited facilitator skills course) to implement career counseling
- Together they provided career information and counseling to 13 107 job-seekers (5 586 of whom were in the pilot sites Thohoyandou and Pretoria) against a target of 15 100.

Clients shared their experiences and rated the service as “good to excellent” and they started to come for more than one day in a week, indicating the severe need for assistance. People also started coming after being informed of the availability of the service by those who were served- *marketing by word-of-mouth*.

Table 2.3

	Provincial Office	Counselling target	Achieved
4	Eastern Cape	1 400	3 302
3	Free State	1 050	451
4	Gauteng North	2 650	3 173
4	Gauteng South	1 400	1 449
4	KwaZulu-Natal	1 400	1 776
3	Limpopo	2 300	2 928
4	Mpumalanga	1 400	0
3	Northern Cape	1 050	28
3	North West	1 050	0
4	Western Cape	1 400	0
	Total	15 100	13 107

Information services include producing information brochures/pamphlets and service packages and advocacy on accessing employment and skills development services.

A total of 11 information pamphlets were published on placement services and career guidance, as well as job-hunting and these were sent to the career guidance pilot sites including the Eastern Cape, Northern Cape and Mpumalanga, who had career exhibitions (four in total), as a pilot. These were also used at the NSDS Conference in October 2008.

Special services include active labour market (employment mediation) programmes; services provided for designated/vulnerable groups including people with disabilities, youth, retrenched workers and ex-offenders; rehabilitation and reintegration programmes for injured workers and UI claimants; and labour and social plan services.

- **Services to people with disabilities.** The Department established a partnership with the National Councils for People with Disabilities and subsidise the salaries of 11 placement officials who managed to place 763 people.

Programme Performance

Programme 2: Service Delivery

Table 2.4

Provincial Office	Target	Achieved
Eastern Cape	100	634
Free State	100	0
Gauteng North	100	0
Gauteng South	100	125
KwaZulu-Natal	100	0
Limpopo	100	4
Mpumalanga	100	0
Northern Cape	100	0
North West	100	0
Western Cape	100	0
Total	1 000	763

- Implementation of Cuban lessons learnt** Three quarterly report back meetings were held by the National Cuban Project Implementation Forum of the Department of Labour to monitor progress with the implementation of the Cuban lessons learnt. Five pilot projects have been identified, each linked to two provinces. So far, Project Sebenza (FreeState and Northern Cape) managed to place 13 unemployed graduates in the Northern Cape and is awaiting confirmation of the placement of 64 graduates recruited for organisations in the FreeState and Northern Cape. The other provinces are experiencing challenges with implementation due to the non-availability of NSF funding at this stage, but have completed project plans, planning and stakeholder identification and briefing of stakeholders.
- Small Business intervention and Basic Entrepreneurial Skills Development (BESD)** programmes are being implemented with 80 EDPs trained and 182 EEs identified and 143 trained. An agreement has been reached with GTZ to fund training in the following six additional sites, namely Queenstown; Pietermaritzburg, Kliptown, Krugersdorp, Vryburg and Khayelitsha. Criteria for site selection were also revised to enable the selection of 23 more BESD sites across all provinces.
- Protective Workshops:** The Department is an active member of an interdepartmental technical team working with the Department of Social Services on the transformation of Protective Workshops and policy formulation for people with disabilities. The team finalised policy guidelines in this regard and is currently involved in the finalisation of a training manual aimed at the implementation of these guidelines. A policy document has been launched by the DSD during March 2009 in that regard.

1.2 Manage stakeholder relations

Over 421 686 job-seekers and 26 170 (22 917 job and 3 253 learning) placement opportunities were registered on the database against a target of 10 000, and over 14 898 (65%) of the 22 917 registered permanent employment opportunities were filled against a target of 3 600 compared to 5 578 in 2007/08 as a result of liaison and networking with strategic partners.

A partnership was established with the Eastern Cape Socio-Economic Consultative Forum in the Premier's Office to roll out career guidance in the Eastern Cape and plans are well underway to

Programme Performance

Programme 2: Service Delivery

realise this by 2009. Orientation of all Employment Services Practitioners in the Eastern Cape to roll-out career guidance will be done in March 2009. The OFO was linked to user-friendly careers information. A business case for three options of including an interest questionnaire into the ESSA will be developed to facilitate career decision-making.

A partnership was also established with the Umsobomvu Youth Fund to explore opportunities to train career counselors in co-operatives and for small business. These interventions are geared towards responding to second economy strategic interventions and to reinforce our ALMS programme. A total of 22 Career Counselors received two days training in the establishment of Co-operatives.

A Placement Workshop was coordinated with critical stakeholders and strategic departments in government in August 2008 to plan the Department's participation in seven placement programmes that mirrors the country's APEX priorities and programmes for designated groups. This was followed with discussion between the Department and the Department of Agriculture to collaborate and cooperate through skills programmes and provision of ES to enhance the implementation of the Land and Agrarian Reform programme. A formal agreement and funding proposal is being worked on. A relationship was also established with the UYF to explore opportunities to train career counselors in co-operatives and for small business. These interventions are geared towards responding to second economy strategic interventions.

The Department is also playing a critical role in the anti-poverty campaign as a member of the National Task Team, and has developed a basket of services relating to employment services and social security which are being rendered to these most deprived communities. A partnership was also established between the South African Qualifications Authority (SAQA), the Departments of Education and Labour to approach career guidance more holistically in the country. SAQA might set up a call centre for career guidance.

A partnership was established with the Department of Correctional Services to set up a placement programme for ex-offenders.

A draft communication and marketing strategy was developed to market ESSA.

Strategic interventions required to transform and enhance the capability of the Employment Services System to improve performance and create more value to the citizens

- **Policy and Legal issues:** Employment Services Regulations to be promulgated to compel private enterprises to register placement opportunities with the Department.

This should include a Cabinet decision to compel government departments through the Department of Public Service and Administration (DPSA) to register all vacancies and recruit through the ES System

- **ICT and Processes.** Integrate Client databases and create interfaces/links between processes; Employment Services of South Africa (ESSA), Unemployment Insurance (UI), Compensation for Occupational Injuries and Diseases (COID) and Inspection and Enforcement Services (IES) making them interdependent to manage the movement (entering, transacting and exiting the labour market) of workers and provide a seamless service. Siemens Business Services must commit resources, both infrastructure and competencies to enhance the Computer system performance (Matching facility, reporting facility – ensure availability of accurate information, and data integrity) to enable the Department to massify and intensify the provision of employment services
- **Governance and capacity issues.** The service delivery (labour centre) model and organisational structure (inputs- management, human capital, technology, service specific and process specific information, facilities, and drivers; activities; and outputs of the process) reviewed and aligned to enhance process capabilities to effectively deliver the six service offerings. Facilities and Infrastructure to be upgraded and establish Resource Centres with

Programme Performance

Programme 2: Service Delivery

workstations fully equipped with the requisite technology to enable computer literate job-seekers to perform on-line registrations and job-search activities. This will ease pressure on the customer interfacing services in the labour centres, but also improve access to employment mediation services as these can be interfaced with other government infrastructure.

Provision should also be made for small enterprises to interact and recruit job-seekers; and the ICT infrastructure should provide for client database integration and process interfacing with other strategic government departments and State owned enterprises' processes and systems i.e. Department of Home Affairs for effective management of International Labour Migration; Socio-Economic Development Departments for identification of growth and development opportunities for effective provision of Special Employment Programmes to enhance placement services including for designated groups; Thusong centres and the Government Communication and Information System (GCIS), the Department of Communications and the South African Post Office for effective provision of information services; and the Department of Education and institutions of higher learning for effective provision of career information and guidance.

KRA 2: Enhancing Skills Development

Skills Development Services include developing the Provincial Skills Plans, identifying scarce and critical skills, registering training courses with the National Skills Fund, allocating funding for skills development, selecting and contracting training providers, monitoring training, processing training provider claims and scheduling assessments at INDLELA.

2.1 NSDS 2008-2009: Year 4 Targets implementation aligned to ASGI-SA implemented.

Provincial Skills Plans were reviewed to ensure alignment with the PGDS/IDP/LED and 1 673 projects were identified and listed, the Social Development Skills programmes procurement processes were also aligned with the Supply Chain Management processes to comply with prescripts, the Operations Manual were finalised and users trained.

Table 2.5

Provincial Office	No. PIP	No. supported	Supported %	Amount allocated	Amount spent	Spent %
Eastern Cape	369	0	0	R 0.00	0	0
Free State	84	0	0	R 0.00	0	0
Gauteng North	96	0	0	R 0.00	0	0
Gauteng South	135	0	0	R 0.00	*0	0
KwaZulu-Natal	129	0	0	R 0.00	0	0
Limpopo	115	0	0	R 0.00	0	0
Mpumalanga	165	0	0	R 0.00	0	0
Northern Cape	110	0	0	R 0.00	0	0
North West	251	0	0	R 0.00	0	0
Western Cape	219	0	0	R 0.00	0	0
Total	1 673	0	0	R 0.00	0	0

Programme Performance

Programme 2: Service Delivery

The training programmes in EPWP and the NODES were finalised.

Table 2.6

Provincial Office	No of unemployed trained	Cost of training in Rand in support of EPWP R
Eastern Cape	744	R 5 155 815
Free State	0	R 0
Gauteng North	1027	R 6 364 035
Gauteng South	1378	R 6 711 241
KwaZulu-Natal	4298	R 7 509 240
Limpopo	136	R 161 439
Mpumalanga	0	R 0
Northern Cape	749	R 1 848 712
North West	1144	R 3 724 947
Western Cape	914	R 5 181 569
Total	10 390	R 36 656 998

Table 2.7

Provincial Office	Rural nodes	No of unemployed trained	Cost of training in Rand in support of ISRDP R
Western Cape	Central Karoo	36	R 305 090
Mpumalanga	Bohlabela Cross	0	R 0
Limpopo	Sekhukhune Cross	0	R 0
Eastern Cape	Alfred Nzo	49	R 104 605
Eastern Cape	Chris Hani	177	R 896 856
Eastern Cape	Ukhahlamba	21	R 107 929
Eastern Cape	OR Tambo	1 504	R 3 730 066
Northern Cape	Khalagadi Cross	5	R 611 175
KwaZulu-Natal	Ugu	100	R 603 201
KwaZulu-Natal	Umkhanyakude	631	R 3 542 771
KwaZulu-Natal	Umzinyathi	380	R 2 165 265
KwaZulu-Natal	Zululand	412	R 3 328 080
Free State	Thabo Mofutsanyane	0	R 0
Total		3 315	R 15 395 038

Programme Performance

Programme 2: Service Delivery

Table 2.8

Provincial Office	Urban nodes	No of unemployed trained	Cost of training in Rand in support of URP R
Gauteng South	Alexandra-URN1	0	R 0
Western Cape	Khayelisha-URN6	108	R 1 576 365
Western Cape	Michells Plain-URN7	0	R 0
Eastern Cape	Motherwell-URN5	100	R 242 699
Eastern Cape	Mdantsane-URN4	132	R 347 043
Northern Cape	Galeshewe-URN8	107	R 741 240
KwaZulu-Natal	Inanda-URN2	0	R 0
KwaZulu-Natal	KwaMashu-URN3	0	R 0
Total		447	R 2 907 347

KRA 3: Promote equity in the workplace

3.1 Employment equity implementation and enforcement mechanisms in place.

DG review implementation and roll-out coordinated by Labour Relations and progress is monitored to ensure that 20 provincial staffmembers on the project are capacitated to enforce Employment Equity Act (EE Act) and 74 employers were subjected under the EEA DG review.

A total of 12 514 EE designated employers were identified to enforce procedural compliance and only 9 723 were inspected and 8 112/83% complying within 90 days of inspection against a target of 10 000 compared to 8 475 inspected and 6 881 (81%) complying at the end of March 2008.

There is a noticeable increase in the capacity to monitor and enforce EE procedural compliance. Although the target set was missed by 277, over 1 248 more EE designated employers were inspected and over 2% more compliance achieved compared to 2007/08.

Table 2.9

Provincial Office	Total no of designated employers (identified within respective province)	Total no of designated employers inspected	Total no complying procedurally within 90 days	%
Eastern Cape	180	124	121	98%
Free State	1 000	1 497	1 350	90%
Gauteng North	1 000	1 493	1 092	73%
Gauteng South	1 244	1 044	867	83%
KwaZulu-Natal	4 289	2 362	2 047	87%
Limpopo	843	560	467	83%
Mpumalanga	637	948	817	86%
Northern Cape	908	506	366	72%
North West	1 050	371	282	76%
Western Cape	1 363	818	703	86%
Total	12 514	9 723	8 112	83%

Programme Performance

Programme 2: Service Delivery

KRA 4: Protecting vulnerable workers

4.1 Compliance with labour legislation ensured

4.1.1 Inspection and enforcement strategy was reviewed and critical areas to enhance the capacity of inspectorate to implement and enforce compliance with labour market policies and programmes identified and enhanced:

- Professionalisation of the inspectorate: The job profiles of generalist, specialist and expert inspectors were developed and are being evaluated and weighted for implementation in 2009
- Customer centric model: The Inspection and Enforcement Case Management System is being developed. This will enhance the recording of complaints and incidents, processing thereof and tracking of progress to effectively respond to enquiries and communicate with clients
- Enforcement mechanisms ensured: COIDA Enforcement Policy developed to enhance the capacity of inspectors to enforce compliance with COIDA.

4.1.2 At least 180 000 workplaces are inspected and 80% compliance levels achieved within 90 days of inspection.

A total of **153 697** workplaces across all the economic sectors/industries were inspected and **125 323** (82%) complied within 90 days of inspection against a target of (134 280) inspections, compared to 200 665 inspected and 156 924 (78%) complying within 90 days in 2007/08.

There is a noticeable increase in the capacity of inspectors to monitor and enforce compliance with legislation. The compliance level increased by 5% from 78% in 2007/08 to 83% in 2008/09 although the total number of workplaces inspected decreased by 46 968 from 200 665 in 2007/08 to 153 697 in 2008/09. However, the target inspections measured against the total number of inspectors and the expected 180 inspections per inspector per annum is exceeded by 19 410. The volume of workplaces inspected and the optimal utilisation of resources still remains a challenge.

Programme Performance

Programme 2: Service Delivery

Table 2.10

Province	No. of Inspectors	Agriculture, Hunting, Forestry, Fishing	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Wholesale and Retail Trade	Construction	Transport, Storage and Communication	Financial Intermediation	Community, Social and Personal Services	Households, Exterritorial Organisations, Other	*Others	Total
EC	71	1 563	4	1 590	106	5 231	1 277	321	130	3 219	3 574	129	17 144
FS	61	1 680	14	503	93	2 436	687	805	250	2 425	2 141	1 475	12 509
GN	73	580	79	2 618	213	5 265	1 514	307	834	5 244	3 040	3 198	22 892
GS	115	352	257	3 214	286	4 243	2 587	746	1 870	3 776	822	1 216	19 369
KZN	127	861	12	3 947	128	6 869	1 761	828	399	3 976	7 349	983	27 113
LP	59	1 476	8	309	65	3 844	708	385	383	481	2 375	0	10 034
MP	60	984	176	681	139	3 207	1 865	590	252	1 688	2 231	0	11 813
NC	30	790	53	199	30	957	405	352	176	381	1 564	1 262	6 169
NW	57	1 532	119	398	44	824	4 043	228	156	1 083	1 858	0	10 285
WC	93	199	4	271	62	110	288	0	0	0	0	15 435	16 369
Total	746	10 017	726	13 730	1 166	32 986	15 135	4 562	4 450	22 273	24 954	23 698	153 697
Target													134 280

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

(The provinces reflected in red failed to meet the target of 180 inspections per inspector).

To monitor and enforce compliance, a total of 23 297 undertakings, 1 225 improvement notices, 9 908 contravention notices, 1 255 prohibition notices and 2 251 compliance orders were issued.

Programme Performance

Programme 2: Service Delivery

Table 2.11

Province	No. of inspectors	Target no. of inspections	Total workplaces inspected	Undertakings	Notices			Compliance orders	No of employers complying within 90 days	% compliance within 90 days %
					Improvement	Contravention	Prohibition			
EC	71		17 144	1 911	22	800	54	520	14 743	86%
FS	61		12 509	1 803	21	329	45	93	11 174	89%
GN	73		22 892	1 961	252	997	151	9	18 827	82%
GS	115		19 369	1 145	237	986	287	535	16 076	83%
KZN	127		27 113	3 202	138	2 886	235	328	22 272	82%
LP	59		10 034	1 874	45	619	34	50	7 064	70%
MP	60		11 813	1 418	171	927	149	21	10 532	89%
NC	30		6 169	1 090	127	1 069	54	15	4 655	75%
NW	57		10 285	3 621	140	786	215	317	8 052	78%
WC	93		16 369	5 272	72	509	31	363	11 928	73%
Total	746		153 697	23 297	1 225	9 908	1 255	2 251	12 5323	82%

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

4.1.3 Coordinate and monitor the investigation and settlement of reported labour complaints/disputes to ensure 80% settlement rate within 90 days.

A total of **178 863 (79%)** of the **226 297** labour complaints received were investigated and finalised within 90 days against a target of 80% compared to 173 057 (79%) of the 220 191 complaints received finalised.

Table 2.12

Provincial Office	Total no. of complaints reported	Total no complaints investigated within 90 days	Total no of complaints settled within 90 days	%
Eastern Cape	7 936	4 459	6 640	84%
Free State	11 220	11 220	8 953	80%
Gauteng North	50 483	37 418	33 914	67%
Gauteng South	62 333	53 467	49 184	79%
KwaZulu-Natal	14 305	13 598	11 227	78%
Limpopo	32 571	2 081	30 306	93%
Mpumalanga	14 821	3 084	11 540	78%
Northern Cape	2 130	2 429	2 245	105%
North West	5 359	4 898	4 970	93%
Western Cape	25 139	25 139	19 884	79%
Total	226 297	157 793	178 863	79%

Programme Performance

Programme 2: Service Delivery

The 80% target was missed by 1%, however over 6 106 more complaints were received and over 5 806 more complaints were finalised compared to 2007/08 although the percentage settlement remains the same at 79%.

4.1.4 Coordinate and monitor the implementation of an incident investigation and audit programme to ensure that at least 2 000 of reported OHS incidents are finalised within 90 days as per directives.

A total of 2 956 (**56%**) of the 5 326 OHS incidents reported were investigated and finalised within 90 days against a target of 2 000. Over 4 505 (84%) of the incidents received were investigated which reflect an improved capacity to investigate, although 2 280 (**43%**) of the incidents which were investigated were not finalised which reflect a high backlog rate despite the target of 2 000 being exceeded by 1 046.

Table 2.13

Provincial Office	Reported OHS incidents	Total OHS incidents investigated	Finalised in 90 days	%
Eastern Cape	177	145	125	71%
Free State	227	227	191	84%
Gauteng North	346	265	231	67%
Gauteng South	413	95	32	8%
KwaZulu-Natal	2 749	2 627	1 424	52%
Limpopo	141	54	13	9%
Mpumalanga	151	147	142	94%
Northern Cape	30	37	9	30%
North West	305	226	231	76%
Western Cape	787	682	558	71%
Total	5 326	4 505	2 956	56%

4.2 Targeted advocacy and blitz inspections to inspect at least 10 000 workplaces and to decrease workplace incidents in the High Risk industries by at least 2%.

4.2.1 Total reported incidents decreased by 247/4.4% from 5 573 in 2007/08 to 5 326 in 2008/09 against a target of 2%. Reported fatal incidents decreased by 61/18% from 332 in 2007/08 to 271 in 2008/09.

However workplace related injuries, diseases and deaths is still a challenge partly due to the increase in economic activity and volumes of workers in the identified sectors. This is further compounded by workers beginning to know their rights relating to the reporting of incidents due to our advocacy programmes. This however does not relate to workers refusing to work in unsafe places and therefore reduction in incidents.

Programme Performance

Programme 2: Service Delivery

Table 2.14

Provincial Office	Reported OHS incidents 2007/08	Reported OHS incidents 2008/09
Eastern Cape	93	177
Free State	259	227
Gauteng North	651	346
Gauteng South	745	413
KwaZulu-Natal	2 420	2 749
Limpopo	99	141
Mpumalanga	206	151
Northern Cape	54	30
North West	233	305
Western Cape	813	787
Total	5 573	5 326

Table 2.15

	Fatal incidents 2005/06	Fatal incidents reported 2006/07	Fatal Incidents reported 2007/08	Fatal Incidents reported 2008/09
Number	358	290	332	271
Reduction		-19%	14%	-18%

Table 2.16

Total incidents reported 2007/08					
Provincial Office	Casualties	Non casualties	Fatalities	Diseases	Total
Eastern Cape					93
Free State					259
Gauteng North					651
Gauteng South					745
KwaZulu-Natal					2 420
Limpopo					99
Mpumalanga					206
Northern Cape					56
North West					233
Western Cape					813
Total			332		5 575
Variance					

Programme Performance

Programme 2: Service Delivery

Table 2.17

Total incidents reported 2008/09					
Provincial Office	Casualties	Non casualties	Fatalities	Diseases	Total
Eastern Cape	51	0	6	0	177
Free State	27	0	34	0	227
Gauteng North	47	3	7	0	346
Gauteng South	940	50	145	3	413
KwaZulu-Natal	647	0	11	13	2 749
Limpopo	56	6	31	0	141
Mpumalanga	13	3	4	0	151
Northern Cape	18	8	4	0	30
North West	57	0	12	0	305
Western Cape	128	0	17	0	787
Total	1 984	70	271	16	5 326
Variance			61(-18%)		247 (-4%)

4.2.2 Advocacy and blitz inspections programme developed targeting high risk industries and 10 285 inspections were conducted (Construction 2 458, Iron and Steel 2 449, Food and Beverage 2 701, Agriculture 2 677) against a target of 10 000.

However 8 277 less targeted blitz inspections were conducted in the high risk industries (Construction 5 273, Iron and Steel 837, Food and Beverage 792, and Agriculture 1 375) which clearly indicates reduced visibility and lack of focus in these industries.

Table 2.18

Provincial Office	Blitz inspections conducted	Construction	Iron and Steel	Food and Bev	Agriculture
Eastern Cape	4	249	197	187	581
Free State	4	119	203	192	329
Gauteng North	4	70	44	204	79
Gauteng South	4	248	135	139	68
KwaZulu-Natal	4	761	707	700	354
Limpopo	4	187	356	278	244
Mpumalanga	4	437	313	325	313
Northern Cape	4	167	205	365	390
North West	4	112	197	225	259
Western Cape	4	108	92	86	60
Total	40	2 458	2 449	2 701	2 677

Programme Performance

Programme 2: Service Delivery

4.2.3 Further Integrated blitz inspections were conducted targeting the Hospitality, Taxi and Security industries and 5 459 workplaces inspected.

Table 2.19

Provincial Office	Blitz inspections conducted	Hospitality	Taxi	Security
Eastern Cape	3	363	0	125
Free State	3	185	388	203
Gauteng North	3	208	0	93
Gauteng South	3	77	0	0
KwaZulu-Natal	3	597	24	170
Limpopo	3	263	350	247
Mpumalanga	3	385	356	144
Northern Cape	3	295	268	100
North West	3	288	0	104
Western Cape	3	71	0	155
Total	30	2 732	1 386	1 341

KRA 6: Strengthening social protection

6.1 Enhance the rate and quality of social security services to our clients.

6.1.1 90% UI claims finalised within 5 weeks.

Not achieved. Only 87% (587 136) of the 674 161 claims received were finalised.

Table 2.20

Provincial Office	UI claims received	UI claims finalised within 5 weeks	% UI claims finalised within 5 weeks %
Eastern Cape	55 394	39 553	71
Free State	30 889	25 896	84
Gauteng North	83 733	65 926	79
Gauteng South	124 490	116 469	94
KwaZulu-Natal	124 954	119 386	96
Limpopo	39 537	34 361	87
Mpumalanga	49 696	45 300	92
Northern Cape	21 912	19 811	90
North West	29 277	25 471	87
Western Cape	114 279	94 963	83
Total	674 161	587 136	87

To verify the 2007/08 figures with Unemployment Insurance Fund for comparative analysis and to determine the trends, noting the economic crisis and impact on the resources (financial and human) of the Fund.

Programme Performance

Programme 2: Service Delivery

KRA 9: Monitoring the impact of legislation

9.1 Changing labour market trends detected, reported and implications for Department intervention explored.

Quarterly statistics performance information reports developed and the reports analysed to determine the performance trends.

Mid-Term and annual performance (qualitative and quantitative) information reports were analysed and trends reported on.

Performance Indicators were reviewed and aligned to those in the ENE and Strategic Plan, and performance norms and standards across occupational classifications accordingly reviewed and implemented.

KRA 10: Strengthening the institutional capacity of the Department

10.1 Adequately resourced and capable service delivery points

10.1.1 95% staff capacity maintained. Staff capacity maintained at only 88%.

Total 2.21

Programme	Total no of approved posts	Vacancies	Vacancy %
DD-G	3	0	0
CD: SM	37	12	32
CD: OHS	50	26	52
Eastern Cape	666	68	10
Free State	408	29	7
Gauteng North	447	22	5
Gauteng South	876	126	14
KwaZulu-Natal	989	163	16
Limpopo	392	57	15
Mpumalanga	423	60	14
Northern Cape	227	18	8
North West	360	26	7
Western Cape	619	76	12
Total	5 497	683	12

10.1.2 Extensive engagement took place between the Department and UNISA to produce a certificate qualification for inspectors in Explosives which will take place over 12 months instead of an 18-month programme without impacting negatively on the quality of the training. Expectations were given to UNISA on what would be required to produce an explosives inspector.

Programme Performance

Programme 2: Service Delivery

Table 2.22

Provincial Office	Total no of inspectors trained	Categories of training			Total
		Employment equity	Occupational health and safety	Social security	
Eastern Cape	10	2	10	0	12
Free State	8	2	3	0	5
Gauteng North	0	2	0	0	2
Gauteng South	154	2	152	0	154
KwaZulu-Natal	0	2	0	0	2
Limpopo	84	2	72	0	74
Mpumalanga	0	2	4	0	6
Northern Cape	0	2	0	0	2
North West	0	2	0	0	2
Western Cape	0	2	0	0	2
Total	256	20	241	0	261

10.1.3 Improved access to services

Service delivery standards were developed and implementation is monitored quarterly

A programme was put in place to ensure that our facilities are accessible to people with disabilities and 50% of the 125 labour Centres (service delivery points) are accessible to people with disabilities.

Selected performance and operational indicators

Indicator	Programme	Figures/percentage
Number of new jobs registered on Employment Services database	Service delivery	26 332
Percentage of registered work-seekers placed in permanent employment	Service delivery	65%
Percentage of Occupational Health and Safety incidents investigated within 90 days	Service delivery	57%
Percentage decrease in workplace related injuries, diseases and deaths	Service delivery	4.4%
Percentage compliance with labour legislation by inspected workplaces	Service delivery	82%

Programme Performance

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

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

Table 3:1 Selected Performance Indicators

Measure/Indicator	Target April 2008-March 2009	Actual April 2008 –March 2009
Number of Small BEE SMMEs and cooperatives that receive skills development support	1 200	2 251 small BEE enterprises and cooperatives received skills development support
Number of people participating in trade tests at the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDELELA)	10 000	8 337 people participated in trade tests at INDELELA
Percentage pass rate for trade tests	40%	41% pass rate
Number of artisans registered for training by Sector Education and Training Authorities (SETAs)	18 693	17 228

Table 3.2: Progress made by the Employment and Skills Development Services (ESDS) and Human Resource Development (HRD) Subprogrammes towards meeting the 2008 /09 targets. The report covers the period 1 April 2008 to 31 March 2009:

Measurable objective: To implement the National Skills Development Strategy 2005-2010.				
Subprogramme	Output	Measure/Indicator	Target April 2008-March 2009	Actual
National Skills Fund (NSF) Admin and Transfers	Implementation of National Skills Development Strategy (NSDS) 2005-2010 year 4 targets aligned to the Accelerated Shared Growth Initiative-South Africa (ASGI-SA) Achieve NSF strategic projects targets in support of provincial growth and development strategies/ASGI-SA	Number of unemployed people assisted to enter learning programmes	16 000 people	41 336
		Number of people completed learning programmes	8 000 people	31 003
		Number of under-graduate bursaries awarded	4 500 people	1 752 under-graduate bursaries awarded
		Number of post-graduate bursaries awarded	1 500 people	997 post-graduate bursaries were awarded
		Number of Adult Basic Education and Training (ABET) learners registered by the NSF	40 000 people	21 413 NSF funded ABET learners recruited and commenced learning programmes

Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target April 2008-March 2009	Actual
		Number of ABET learners completed programme	20 000 people	
		Number of unemployed people trained	90 000 unemployed people funded for training, 26% of which receive accredited training. Approved budget R844 million	R190.5 million disbursed for the training of unemployed people 15 169 unemployed people trained
		Number of trained unemployed people placed in employment	63 000 people	8 885 trained unemployed people placed in employment
		Number of non-levy paying co-ops receiving skills development support by March 2009	400 Community Based Co-Operatives	367 Community Based Co-Operatives have benefitted from skills development support funded by the NSF
SETA co-ordination	Implementation of National Skills Development Strategy 2005-2010 year 4 targets aligned to ASGI-SA	Scarce and critical skills list and database updated	September 2008	Scarce and critical skills list 2008 was finalised by the Skills Focus Group (SFG) and signed off by the Economic Investment Employment (EIE) cluster. Request for the printing of scarce skills publications was processed and forwarded to Chief Directorate of Communication and sent to stakeholders.
	Achievement of targeted SETA funded skills development programmes monitored	Number of non-levy paying organisations receiving skills development support by March 2009	At least 5 865 SMMEs, NGOs, co-ops and small BEE enterprises	7 601 SMMEs, NGOs, co-ops and small BEE enterprises received training

Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target April 2008-March 2009	Actual
		Number of ABET employed learners trained by March 2009	44 640 ABET employed learners to be trained by March 2009	40 851 employed learners registered with ABET programmes and 14 221 learners completed their training
		Number of workers assisted to enter scarce and critical skills in learnerships, apprenticeships, internships, bursaries and skills programmes	56 506 workers to be assisted to enter scarce and critical skills in learnerships, apprenticeships, internships, bursaries and skills programmes	103 293 learners assisted to enter scarce and critical skills programmes 109 270 workers completed training programmes
		Number of unemployed people assisted to enter scarce and critical skills programmes in learnerships, apprenticeships, internships, bursaries and skills programmes	43 316 unemployed people assisted to enter scarce and critical skills programmes in learnerships, apprenticeships, internships, bursaries and skills programmes	60 125 unemployed people assisted to enter scarce and critical skills programmes 63 658 unemployed people completed learning programmes
		Number of learners in areas of critical skills placed for experience locally and internationally	9 088 learners in areas of critical skills placed for experience locally and internationally	13 148 learners placed in workplaces
		Number of youth trained in New Venture Creation (NVC)	3 276 youth trained in New Venture Creation	3 900 youth trained in New Venture Creation

Programme Performance

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

Subprogramme	Output	Measure/Indicator	Target April 2008-March 2009	Actual
INDELELA	Assessment services	The number of candidates assessed at INDELELA annually	10 000 candidates by March 2009	8 337 assessed 3 392 passed Pass rate = 41%
	Backlog on assessments	All applicants to be assessed within the acceptable period	All applicants to be assessed within two months	Backlogs as at February 2009 Electrical Trade Applications are full until April 2010 Bricklaying, Welders and Carpenters applications are full until June 2009 Riggers applications are full until July 2009 Motor Mechanics applications are full until May 2009
	Provision of Train the Trainer Programmes	A number of assessors, moderators, facilitators and assessment tools developers trained in the current financial year	20 Assessors 20 Moderators 20 Facilitators 20 Assessment tools developers	Total trained 26 Assessors 11 Moderators 12 Facilitators 24 Assessment tools developers were trained

Table 3.3 Achievements against the NSDS 2005-2010 year four (2008-9) targets

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
1. Prioritising and communicating critical skills for sustainable growth, development and equity	1.1. Skills Development supports national and sectoral growth, development and equity priorities	Skills development supports national and sectoral growth, development and equity priorities	Publications of the scarce skills list were produced and distributed to stakeholders at the skills conference and to departmental offices and SETAs	

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
		<p>The NSF will fund the printing of the guide</p> <p>The NSF will fund the training of career guidance counsellors in the use of the information</p> <p>[NSDS Lever 1.2]</p>	<p>The National Master Scarce Skills List for South Africa 2008 was updated and printed by October 2008.</p> <p>NSF budget was available</p>	<p>Career guidance focus was on putting structures in place, including appointment of counsellors. Therefore no funding was requested from the NSF for training of career guidance counsellors</p>
	<p>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</p>	<p>15 139 Sector Development Facilitators (SDF) and Sector Specialists trained</p> <p>(15 019 by SETAs)</p> <p>(120 by Productivity SA)</p>	<p>18 836 SDF and Sector Specialists trained</p> <p>(18 760 by SETAs)</p> <p>(78 by Productivity SA)</p>	<p>Productivity SA entered into an agreement with BankSeta under whose terms the SETA was to facilitate the training of 45 Sector Specialists in 2008/09. BankSeta moved the training backwards to May 2009</p>
<p>2. Promoting and accelerating quality training for all in the work place</p>	<p>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</p>	<p>3 480 large firms and 4 791 medium firms to be supported through skills development</p>	<p>4 284 large firms and 5 670 medium firms (123% and 118% of the target respectively) were supported through skills development</p>	
	<p>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</p>	<p>25 004 small levy-paying firms supported through skills development</p>	<p>26 736 small levy-paying firms (107% of the target) supported through skills development</p>	

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
	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	84 government departments spend at least 1% of personnel budget on training	65 government (77% of the target) departments spent at least 1% of personnel budget on training	There is a lack of cooperation by government departments
	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	A national standard of good practice in skills development submitted to the Minister for approval	A Framework on Good Practice in Skills Development and Awards was approved and successfully piloted in 2008. Thirty-two companies received Ministerial Awards at the October 2008 Skills Conference for their outstanding contribution to national skills development	The NSA resolved to waive the implementation of objective 2.4 of the National Skills Development Strategy for two years pending further research on possible policy options for the national standard
	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	A total of 1 406 small BEE firms and BEE co-operatives supported with skills development	A total of 2 251 Small BEE and BEE co-ops (160% of the target) were supported	

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
	<p>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</p>	<p>Annually increasing number of people who benefit from incentives training for employment / re-employment in new investments and expansion initiatives</p> <p>A) Workplace Skills Development Support Programme (WSDSP) effectively implemented (10% increase on previous year's beneficiary numbers achieved)</p> <p>B) BPO&O (Business Process Outsourcing and Offshoring) Training Grant as part of DTI Investment Incentive programme effectively implemented (Process all applications and claims received within the timeframes and prescripts as agreed in the MoU) [new programme since July 2007]</p> <p>R60 million committed over a 3-year period. 12 440 workers targeted to benefit</p> <p>Establish 120 Future Forums and give support on developing strategies and work plans</p> <p>Develop 70 and implement 50 turnaround strategies</p>	<p>2 069 new workers benefited from the Workplace Skills Development Support Programme (WSDSP)</p> <p>The total number of workers trained is 6 156</p> <p>All those trained are South African Citizens</p> <p>The total WSDSP training expenditure is R19, 77 million and 45 SMMEs benefited</p> <p>151 new workers benefited from the BPO&O Training Grant.</p> <p>Eight (8) applications were processed and adjudicated by the BPO&O Adjudication Committee – 7 were approved and 1 was pending</p> <p>One claim was paid to the amount of R1 596 million</p> <p>Productivity SA established 105 future forums under the Social Plan Technical Support Facility process</p> <p>Productivity SA developed 59 and implemented 0 turn-around strategies to prevent job losses in terms of the Social Plan</p>	<p>The implementation of the Future Forums objective slowed down due to financial challenges met</p> <p>Implementation did not take place due to financial challenges met</p>

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
	2.7. By March 2010 at least 700 000 workers have achieved at least ABET level 4	SETAs committed to a target of 44 640 workers registered at all ABET levels and 30 572 completing across all ABET levels	40 851 workers registered at on all four ABET levels 14 221 completed ABET programmes at all levels	50% of the SETAs state that the targets for ABET are not based on empirical research into ABET needs in each sector. 21 SETAs are faced with the challenge of high attrition and drop out rates at all levels
	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.	A) The SETA target was that 56 506 workers are assisted to enter and 33 651 successfully complete programmes, including learnerships, and apprenticeships B) Productivity SA had a target of training 480 educators, 26 trainers, 50 government and SOE managers, 480 general workers and 360 public service officials in productivity and productivity concepts	SETAs supported 103 293 learners to join learning programmes and 109 270 to successfully completed these programmes 1 059 educators, 55 trainers, 106 government and SOE managers, 463 general workers trained. These figures represent a 220%, a 211%, a 212%, a 96%, and a 0% rates of achievement respectively	The completion figure is higher than the entry figure because some learning programmes take longer than a year to complete Learners completing therefore include entrants of previous reporting years There was poor response from public service officials to Productivity SA's campaign
3. Promoting employability and sustainable livelihoods through skills development	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	90 000 unemployed people trained 63 000 (70%) placed in employment, self-employment or social development programmes, including EPWP 25% of training quality assured	A total of unemployed people were trained 15 169 Of the training 22% was accredited. Of those trained 8 885 learners were placed in employment These figures reflect the rollover training from the previous financial year. Total NSF expenditure on training of the unemployed R1 905 million UYF enrolled, trained and placed 34 906 unskilled youth	There was suspension of training initiatives in provinces in 2008 due to Social development Funding Window (SDFW) procurement procedure misalignment with Department of Labour Supply Chain Management Policy. SDFW Prospective Training Provider List approved by DBAC on 26 November 2008 Not all 2008/09 UYF projects were approved due to funding limitations

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
	including Extended Public Works Programmes (EPWP), or should be engaged in further studies. Placement categories each to be defined, measured, reported and sustainability assessed	Umsobomvu Youth Fund (UYF) had a target of facilitating the enrolment, training and placing in community service programmes of 38 000 unemployed youth		
	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	<p>The annual target for SETAs was that 5 865 non-levy paying enterprises are supported through skills development</p> <p>The NSF's target was that at least 400 Community Based Co-Operatives are supported by skills development</p> <p>Productivity SA had a target of training 1 800 SMMEs in productivity. The organisation achieved a 55.5% success rate having provided training for 910 SMMEs in the year</p>	<p>A total of 7 601 enterprises (130% of the SETA target) were supported by SETAs through skills development</p> <p>29 signed Memorandum of Agreements (MoA) are in operation with service providers and cover a total of 367 Small Community Based Co-Ops across all provinces</p> <p>About 4 000 Co-ops workers will benefit from the skills support arrangement. Equity targets are Females – 65% Blacks – 95% Youth – 41% People with disabilities – 4%</p> <p>Productivity SA provided training for 910 SMMEs in the year; 55% of the target</p>	<p>3 MoA affecting 33 co-ops were cancelled due to non compliance to MoA conditions and mis-management</p> <p>The target was not achieved because of financial challenges faced by Seda which organisation under the condition of an MOU entered into with PSA was to facilitate training processes</p>
	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	<p>40 000 unemployed people participate in ABET Level programmes of which 70% have achieved ABET Level 4</p> <p>At least 20 000 ABET learners complete programmes</p>	<p>The number of ABET learners registered is 73 438</p> <p>Number of learners completed 27 194</p>	

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
4. Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment	4.1. By March 2010 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	<p>SETAs target was that 43 316 unemployed people are assisted to enter learning programmes and at least 50% successfully complete those learning programmes including learnerships and apprenticeships</p> <p>Productivity SA had the objective of providing internships for 50 industrial engineering graduates</p> <p>The objective of UYF Graduate Development Programme was to recruit and enrol 6 300 unemployed graduates in life skills and work readiness programmes. All 6 300 graduates were to complete. Of the 6 300 completed graduates, 4 500 were to be linked to job employment opportunities.</p> <p>The objective of one of UYF's special projects was to provide accredited basic training to young people to enable them to access further learning. The 2008/09 target set as part of this objective is the training of 3 641 young people</p> <p>The NSF objective was to fund the awarding of 4 500 scarce skills undergraduate bursaries and 1 500 scarce skills post-graduate bursaries.</p>	<p>60 125 unemployed learners were assisted to enter learning programmes and 63 658 unemployed learners successfully completed the learning programmes</p> <p>The organisation achieved a 10% success rate through developing internships for 5 industrial engineers</p> <p>The organisation achieved a 27.7% success rate in recruiting and enrolling unemployed graduates whereby 1 750 graduates were recruited and enrolled against the target. It achieved a 0% success rate against the completion target and a 0% success rate against the placement target</p> <p>The organisation achieved a 0% rate of success in the pursuit of this objective.</p> <p>The NSF funded the awarding of 4 869 undergraduate bursaries through the NSFAS and a total of 997 post graduate bursaries were awarded through the NRF</p>	<p>The completion figure is higher than the entry figure because some learning programmes take longer than a year to complete. Learners completing therefore include entrants of previous reporting years</p> <p>The organisation had limited resources for the implementation of this project</p> <p>The Graduate Development Programme did not achieve its objectives because of partners renegeing on their commitments.</p> <p>The Project Management programme which focuses on special skills projects is currently under review</p>

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
	4.2. 100% of learners in critical skills programmes covered by sector agreements from Further Education and Training (FET) and Higher Education and Training (HET) institutions assisted to gain work experience locally or abroad, of whom at least 70% find placement in employment or self-employment	The annual collective SETAs target was that 9 088 learners in critical skills programmes are covered by sector agreements from FET and HET institutions and are assisted to gain work experience. At least 70% of these learners should find placement	13 148 learners in critical skills programmes were assisted to enter the workplace (145% of the target)	
	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	The collective SETA's target was that 3 276 young people are trained and mentored to form sustainable new ventures and at least 70% of new ventures should be still in operation 12 months after the young people have completed the programme	3 900 young people were trained by SETAs to create new ventures and 475 of the new ventures created are sustainable	A few SETAs state that young people are not necessarily the people best able to create sustainable new ventures. SETAs also do not have the funds to provide seed capital for new ventures
5. Improving the quality and relevance of provision	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	511 Institutes of Sectoral and Occupational Excellence (ISOE) are recognised and supported by SETAs	449 Institutes of Sectoral and Occupational Excellence (ISOE) were recognised and supported by SETAs	A number of institutions identified as ISOEs need human and other resources. Different SETAs are targeting the same institutions as candidates for an ISOE status

Programme Performance

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

Goal	Key performance indicator	Annual targets for 2008/09	Performance results April 2008 to March 2009	Reasons for variance
	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	92 provider institutions accredited to manage the delivery of the new venture creation qualification	138 provider institutions were accredited to manage the delivery of the new venture creation qualification	
	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 National Skills Development Strategy (NSDS)	Measurable improvement in the quality of the services delivered by skills development institutions	<p>The refinement of the draft QCTO policy document is continuing. This will assist in positioning the policy document accordingly within the NQF framework. Draft QCTO regulations called "The Occupational Qualifications Regulations" have been developed. The regulations are now ready to be tabled to the Quality Council for Trades and Occupations (QCTO) Board once established for further processing and finalisation. The draft QCTO Regulations' criteria and guidelines are being developed now that the draft regulations are in place</p> <p>The appointment of QCTO Board members as well as establishing an interim operational team for the QCTO is in progress</p>	
	5.4. By March 2010, there is a National Skills Authority (NSA) constituency based assessment of an improvement in stakeholder capacity and commitment to the National Skills Development Strategy	NSA constituency based assessment of improvement in stakeholder capacity development	The NSF availed R20 million to the 18 constituencies of the NSA for the capacity building of their members. In this reporting period only 7 constituency organisations took up the funding offer and 3 263 members benefitted. R 12 210 554 was disbursed	

Programme Performance

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

3.4 Skills levies collected and transferred to SETAs and NSF

Table 3.4 illustrates the total levies collected by SARS and transferred to SETAs and the NSF within 30 days of each second month. The amounts represent 1% of the employer's payroll. It further illustrates the total amount collected and transferred to SETAs and the NSF by end of March 2009.

Table 3.4 Skills levies collected and transferred to SETAs and NSF

Levy year	Year collected 1 April 2008- March 2009	Total amount collected	Amount transferred to SETAs during the levy year	Amount transferred to NSF during the levy year
2008/09	1 April 2008- March 2009	7 333 171 049	5 866 536 837	1 466 634 212
Grand total		7 333 171 049	5 866 536 837	1 466 634 212

3.5 Productivity SA

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

Progress made by Productivity SA on its workplan for 2008/09 is as reflected in **Table 3.5**

Table 3.5 Productivity SA's progress in 2008/09

Indicator	Annual targets for 2008/09	Achievements April 2008 to March 2009
Number of education and training service providers and productivity trainers accredited	26	55
Number of emerging entrepreneurs trained in productivity improvement and competencies	1 800	910
Number of skills development facilitators trained in productivity	120	78
Number of managers and workers trained to enhance productivity competencies and mindsets in private and public enterprises	530	569
Number of future forums established at companies with turnaround solutions	120	105

Programme Performance

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

3.6 Umsobomvu Youth Fund

The Umsobomvu Youth Fund's key priorities include improving access to employment opportunities through the provision of career development information, counselling and the linking young people to employment opportunities; expanding support for entrepreneurial activity and self-employment through the provision of entrepreneurship information and entrepreneurship training. The Fund also undertakes graduate development, facilitates young people's access to scarce and critical skills training and engages young people in community service and voluntarism.

Progress made by the Umsobomvu Youth Fund on its workplan for 2008/09 is as reflected in **Table 3.6**

Table 3.6 Umsobomvu Youth Fund's progress in 2008/09

Indicator	Annual targets for 2008/09	Achievements April 2008 to March 2009
Number of youth advisory centres (full service, points and kiosks)	288	151
Number of young people acquiring skills through the NYS projects (category 1)	38 500	34 000
Number of unemployed graduates enrolled in training programmes to improve their skills to access employment opportunities	6 000	700
Value of business opportunities sourced	R830 million	R39 667 960
Number of jobs created or sustained through SMMEs	14 400	12 980

Programme Performance

Programme 4: Labour Policy and Labour Market Programmes

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Percentage of top 100 Johannesburg Securities Exchange (JSE) listed companies assessed for employment equity	Labour Policy and Labour Market Programmes	-	6% (6)	26% (26)	74% (74)	-	-	-

NB: Kindly note that the number of companies that have been assessed until 2008/09 has been corrected. The 60 companies to be assessed in 2009/10 - 2012 has been removed because 106 companies have now been assessed against the top 100 JSE listed companies initially planned for.

Furthermore, in 2009/10, the Directorate will be focusing on conducting the follow-ups on the 106 companies assessed in the previous 3 years, although some companies may still be assessed from provincial level as part of the process of building capacity in the provinces.

Programme Performance

Programme 5: Social Insurance

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

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

Programme Performance

National Skills Fund

National Skills Fund Performance

The National Skills Fund was established in 1999 in terms of the Skills Development Act, 1998. The primary objective of the National Skills Fund is stipulated in the Skills Development Act, namely that the money in the NSF may be used only for the projects identified in the National Skills Development Strategy (NSDS) as national priorities or for such other projects related to the achievement of the purposes of the Act as the Director-General of the Department of Labour determines.

The NSF primarily provides funding and policy development in order to meet objectives of the NSDS for 2005-2010.

Performance against NSDS 2005-2010

Goal	Key performance indicator	Target (2008/09)	Performance results	Reason for variance
1. Prioritising and communicating critical skills for sustainable growth, development and equity.	NSDS Success Indicator 1.2: Information on critical skills is widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners.	The NSF will fund the printing of the guide.	The National Master Scarce Skills List for South Africa, 2008, was updated and printed by October 2008. 10 000 booklets were printed and disseminated at the National Skills Conference in October 2008 and to provincial offices and labour centres.	
		The NSF will fund the training of career guidance counsellors in the use of the information [NSDS Lever 1.2].	NSF budget was available.	No funding was requested from the NSF for training of career guidance counsellors.

Programme Performance

National Skills Fund

Goal	Key performance indicator	Target (2008/09)	Performance results	Reason for variance
2. Promoting and accelerating quality training for all in the workplace.	NSDS Success Indicator 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.	1. Workplace Skills Development Support Programme (WSDSP) effectively implemented (10% increase on previous year's beneficiary numbers achieved).	1. Target ACHIEVED Total No. of workers trained increased 82% during 2008/09 – 6 156 (2007/08 – 3 378) New workers received training – 2 069 (2007/08 – 2 368) (Equity: Black – 88%, Female – 38%.	
		2. BPO&O Training Grant as part of DTI Investment Incentive Programme effectively implemented (Process all applications and claims received within the timeframes and prescripts as agreed to in the MoU) [new programme since July 2007].	All were SA Citizens. 45 SMEs benefited (53 claims paid) Total expenditure – R19,77 million. Total new workers benefiting since April 2005 – 10 934. Target ACHIEVED . All applications (8) were processed of which 7 were approved. R 60 million training grants were committed over a 3-year period (100% of available budget). In total 12 440 workers are targeted to benefit. One claim was received, processed and paid to the amount to R1,6 million.	

Programme Performance

National Skills Fund

Goal	Key performance indicator	Target (2008/09)	Performance results	Reason for variance
3. Promoting employability and sustainable livelihoods through skills development.	NSDS 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.	NSF to provide funding for the training of unemployed people - <ul style="list-style-type: none"> ● 90 000 unemployed people trained. ● 63 000 (70%) placed in employment, self-employment or social development programmes, including EPWP. ● 25% of training quality assured. 	Approved a budget of R844 million for the year. Training targets not met as only 15 169 people were trained and 8 885 placed. Accredited training – 22%. Number trained for EPWP projects – 10 390 (form part of the numbers indicated above). Equity: Blacks – 98%; Women – 54%; People with disabilities (PWD) – 2%; Youth – 61%. Total expenditure on training of unemployed people came to R 190 136 million.	Suspension of training initiatives in provinces in 2008 due to SDFW procurement procedure misalignment with Department of Labour SCM-Policy. SDFW. The procurement process has since been revised and new operational procedures approved.
		Monyetla Work Readiness Pilot Programme: 1 000 unemployed people trained for the Call Centre sector and 70% placed in employment.	Impact with effect from 1 April 2005 (NSDS): Total unemployed people trained under SDFW – 338 414 + Monyetla learners 1 129 = 339 543 (75,5% of target) Placed (of those trained) – SDFW 226 006 + Monyetla 1 016 = 227 022 (66,8%) Accredited training - 22% (average over 4 years).	
	NSDS Success Indicator 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.	The NSF target – at least 400 Community Based Co-Operatives are supported by skills development.	Target marginally not achieved, due to unforeseen circumstances. NSF contribution: 367 Small Community Based Co-Ops across all provinces. ±4 000 Co-ops workers will benefit from the skills support arrangement.	3 MoAs affecting 33 co-ops were cancelled due to non-compliance to MoA conditions and mis-management.

Programme Performance

National Skills Fund

Goal	Key performance indicator	Target (2008/09)	Performance results	Reason for variance
			<p>Equity targets are Females – 65%; Blacks – 95%; Youth – 41%; PWD – 4%).</p> <p>Total amount spent on skills development – R16,2 million (77% of the budget amount of R21 million).</p>	
	<p>NSDS Success Indicator 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.</p>	<p>Targeted skills development programmes achieved:</p> <ul style="list-style-type: none"> ● 40 000 ABET Learners registered by March 2009 ● At least 20 000 ABET learners complete programmes by March 2009. 	<p>A total of 40 110 learners were registered for ABET programmes. A total of R119 million was spent.</p> <p>None of the 40 110 learners completed the programme</p> <p>A further 33 328 ABET learners were registered under the Strategic Projects and Discretionary Funding Windows. Of these 27 194 completed their programmes.</p> <p>The cumulative total number of ABET learners since 2005 now stands at 93 425 representing 93% of the target of 100 000 learners by March 2010.</p>	<p>Learners could not complete due to the projects starting mid-way through the reporting year</p>

Programme Performance

National Skills Fund

Goal	Key performance indicator	Target (2008/09)	Performance results	Reason for variance
<p>4. Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment.</p>	<p>NSDS Success Indicator 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. [Joint target of NSF and SETAs].</p>	<ul style="list-style-type: none"> ● 16 000 unemployed learners enter learning programmes (learnerships, apprenticeships, etc.) by March 2009. ● 8 000 unemployed people complete learning programmes (learnerships, apprenticeships, etc.) ● Funding of bursaries in scarce skills: <ul style="list-style-type: none"> - 4 500 undergraduate bursaries awarded - 1 500 post-graduate bursaries awarded. 	<p>A total of 17 599 learners entered various learning programmes on scarce and critical skills.</p> <p>A total of 4 080 completed programmes.</p> <p>NSF funded the awarding of 4 869 undergraduate bursaries through the NSFAS. A total of 997 post graduate bursaries were awarded through the NRF.</p> <p>The numbers reported above contribute to the overall target of 125 000 learners by March 2010. The NSF has contributed R531million in grant allocations to SETAs.</p>	<p>Due to the duration of the learning programmes it was not possible to complete them within a year.</p>
<p>5. Improving the quality and relevance of provision.</p>	<p>NSDS Success Indicator 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.</p>	<p>NSF to provide funding for NSA constituency stakeholders for capacity building of members.</p>	<p>ACHIEVED. NSF availed R20 million to the 18 constituencies of the NSA. Seven (7) constituency organisations took up the funding and 3 263 members benefited from the training. Total expenditure – R12 195 million.</p>	

Programme Performance

National Skills Fund

Project highlights

Monyetla Work Readiness Project

This project was implemented in partnership with the Department of Trade and Industry in support of the Business Process Outsourcing and Off-shoring (BPO&O) sector, as one of the top three priority sectors to stimulate growth within the Accelerated Shared Growth Initiative (ASGI-SA). The sector is identified for its potential to attract investment and create employment opportunities in the economy.

The NSF made available an amount of R17,1 million to cover the costs of training 1 000 unemployed people as entry level BPO agents using the Monyetla model. The Business Trust provided R2,9 million for project design, implementation and evaluation.

This joint project focuses on six objectives that were identified as crucial to make South Africa a favourable location for BPO&O, specifically to:

- support the effective marketing of South Africa as a competitive BPO&O destination
- develop and deepen a pool of internationally competitive talent
- create an enabling environment of infrastructure and incentives
- assure the quality of the South Africa offering
- mobilise industry to be increasingly competitive in the promotion of South Africa as a centre for value based off-shoring
- Optimise the impact on the second economy.

The availability of work-ready talent is one of the key factors considered by prospective international and national investors in the sector. Cross-sector research on the current training situation led to the formulation of a skills development needs analysis with three objectives for focused, rapid development of talent for the BPO&O sector, i.e.:

- to increase the pool of entry-level employable people
- to accelerate the development of home-grown supervisors and managers by developing supervisors, team leaders and managers through the skills development system
- to ensure the ongoing development of a globally competitive talent pool by encouraging life-long learning and training through the National Skills Development Strategy.

The scope of the pilot project was as follows:

- Provide 1 000 unemployed South Africans from the NSDS target group with entry-level skills appropriate for the BPO&O sector
- Place 70% learners in employment on completion of the skills programme
- Enable successful learners to enter the Level 2 Contact Centre Learnership with 60 credits of the 128 credits required
- Increase the pool of developed BPO&O talent by ensuring that one home-grown supervisor is developed for every six Monyetla learners, using the levy-grant system that is managed by Sector Education and Training Authorities.

Achievements of the project:

- A total of 1 307 young unemployed people benefitted by the training, i.e. 30% more than the original target
- Of those that commenced the training (16 weeks, 60-credit skills programme) 1 129 completed (86%)
- Of those completing the training and found competent, 1 016 (90%) gained employment, of which 740 were women and 276 men
- 368 were trained as supervisors

Programme Performance

National Skills Fund

- 179 learners proceeded to complete the full Contact Centre Level 2 qualification (128 SAQA credits). A further 200 learners are busy completing the full Contact Centre Level 2 qualification.

Workplace Skills Development Support Programme Project

Invisible Card (Pty) Ltd, Somerset West in the Western Cape is one of 45 SME enterprises that received training incentive grants from the NSF during the reporting period in support of the Small Medium Enterprise Development Programme (SMEDP) incentive programme of the Department of Trade and Industry.

A total of 70 newly appointed workers (32 Black males, 12 Black females, 12 White females, 7 White males) received training in skills programmes. The training incentive grants amounted to R1 003 244 over a period of three years (1 July 2005 to 30 June 2008). The average cost per learner is R14 332 per learner. The training done was as follows:

● Operators trained in Health and Safety.....	8
● Operators trained in First Aid.....	7
● Cutting programme (operators).....	6
● Operators trained in Integrated Manufacturing Programme.....	55
● Packaging and dispatch.....	14
● Exporting methods and legal requirements	5
● Quality control	60
● Productivity awareness	60
● Supervisors in conflict mediation	6
● Storekeeping and stock control	5
● Supervisors in operational management	9
● Trainers (Train the trainer course)	6

KwaZulu-Natal Strategic Project

The project is implemented in partnership with the Provincial Government of the KwaZulu-Natal Province. The project would be implemented over a three-year period spanning from January 2007 to December 2009. The aim of the project is to deliver appropriate skills and knowledge (both technical and soft) in order that beneficiaries can participate fully in economic activity both within second and first economies. The objectives of the projects are aimed at addressing the following:

- Reducing challenges of illiteracy and unemployment, especially among women, youth and people with disabilities
- Alleviating poverty
- Developing scarce skills
- Developing the SMME sector through cooperatives
- Improving economic growth.

Programme Performance

National Skills Fund

Achievements of the project

The project planned to reach a total of 17 520 learners pursuing various learning programmes including ABET. By March 2009 (27 months into the implementation period) the project has already exceed its target. The table below provides a summary of this achievement.

Name of programme	Target learners	Achieved by March 2009
Learnerships	580	507
Apprenticeships	240	40
ABET	16 700	27 194
Total	17 520	27 741

The ABET Programme in KZN was implemented as part of the Masifundisane Literacy Campaign. The campaign targets those people who never had the opportunity to go to school and consequently have low levels of literacy.



Participation into this ABET project exceeded expectations as the result indicate but one highlight of this project is the story of Gogo Alice who could not read or write before joining the programme. Gogo Alice has overcome this challenge.

Section 3

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and attendance:

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

Name of Member	Number of meetings attended
Ms. MM Mahlabe (Chairperson), appointed 23 May 2008	5
Mr. NK Mlamla	6
Mr. K Buthelezi	4
Mr. TS Mageza, appointed 23 May 2008	3

Audit Committee Responsibility

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

Effectiveness of internal control

Department of Labour

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and deviations were reported by the internal auditors and the Auditor-General of South Africa. In certain instances, the matters reported previously have not been satisfactorily addressed.

National Skills Fund

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

Sheltered Employment Factories

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

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

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

Evaluation of Financial Statements

We have:

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

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

Internal Audit

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

We have however noted that due the loss of staff, only 73% of the approved annual internal audit plan could be executed.

We are still concerned regarding the lack of capacity to perform Information Technology audits and the many positions where there are people acting and the lack of staff capacity.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Additional comments

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

- Verification of performance information against the Department's Business Plan and Branch Business Plans
- Physical verification of assets against the asset register.

The delays in receiving management's comments on internal and external audit reports have been noted by the Audit Committee and management has made a commitment to address these shortcomings.



Chairperson of the Audit Committee

Date: 20/08/09

Section 4

Annual Financial Statements

Department of Labour - Vote 15
Annual Financial Statements for the year ended 31 March 2009

Content	Page
Report of the Auditor-General	80
Report of the Accounting Officer	88
Appropriation Statement	105
Notes to the Appropriation Statement	115
Statement of Financial Performance	118
Statement of Financial Position	119
Statement of Changes in Net Assets	120
Cash Flow Statement	121
Accounting Policies	122
Notes to the Annual Financial Statements	130
Disclosures Notes to the Annual Financial Statements	139
Annexures	156

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 15: DEPARTMENT OF LABOUR FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Department of Labour which comprise the appropriation statement, the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 88 to 162.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with 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 about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Capital assets

7. The Department established an Asset Management Unit in March 2008 to address the deficiencies identified and reported in the prior year audit report. However, the audit still revealed amongst others the following significant shortcomings in the management and control of these assets and the asset register.
 - A number of assets on the asset register were included at incorrect values.

Department of Labour - Vote 15
Report of the Auditor-General for the year ended 31 March 2009

- The asset register was not adequately maintained in accordance with the requirements of the National Treasury Regulations.
- The reconciliation of the prior year balance of R106 million (2007: 123.3 million) as disclosed in note 30 and note 29 to the financial statements with the asset registers for the financial years ending 31 March 2007 and 2008 is still outstanding.

Due to the discrepancies noted above, I was unable to verify the valuation, existence, completeness, rights and obligation of the property, plant and equipment amounting to R110, 5 million as per note 28 to the financial statement.

Public Private Partnership (PPP) assets

8. The Department does not maintain an adequate asset register in accordance with the requirements of National Treasury, which resulted in the following significant shortcomings:
- Sufficient and appropriate audit evidence for the adjustments to the prior year closing balance amounting to R14, 0 million as disclosed in note 26 to the financial statements could not be submitted for audit.
 - Not all current year's additions to the PPP assets were accounted for in the asset register.

Consequently, I was unable to obtain adequate assurance relating to valuation, existence and completeness of the PPP assets amounting to R134,9 million as disclosed in note 26 to the financial statement.

Qualified opinion

9. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the department of Labour as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting and in the manner required by the PFMA.

Basis of accounting

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

Other matters

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

Subsequent events

11. Following the State of the Nation address in Parliament by the President where he announced his intention to perform a macro reorganisation of functions within Government, the current structure of the Department of Labour will change to the extent that the skills development function will shift to the Department of Higher Education and Training.

Non-compliance with applicable legislation

12. The following instances of non-compliance occurred during the year under review:

Public Finance Management Act

- The Department did not maintain an effective, efficient and transparent system of financial and risk management and internal control as required by section 38 (1)(a)(i) of the PFMA, as transfer payments were made to entities without a service level agreement in place.
- The accounting officer of the Department did not ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse as required by section 38(1) (d) of the PFMA.
- The accounting officer did not take effective and appropriate steps to prevent irregular expenditure disclosed in note 23 to the financial statements as is required by section 38(1) (c) of the PFMA.

Treasury Regulations

- The Department did not have an approved Fraud Prevention Plan as required by sections 3.2.1 and 27.2.1 Treasury Regulation.
- The accounting officer did not take reasonable steps to recover debt before debts owed to the State were written off as irrecoverable debts as required by Treasury Regulations 11(4) (a)
- The Department of Labour did not perform regular assessment of Supply Chain management performance to identify whether the system is functioning as is required by Treasury Regulations 16A3.2.
- The performance contract of the chief financial officer was not signed by the chief financial officer and the accounting officer as acceptance of his responsibilities as is required by Treasury Regulations 2.1.3.

Skills Development Levies Act

- Department of Labour does not have approved controls in place to verify the accuracy and completeness of levies, interest and penalties transferred to the SETAs and National Skills Fund as is required by practice note 1 of 2008 of the SDL Act.

Governance framework

13. The governance principles that impact on the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

14. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the Department of Labour has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root cause that gave rise to deficiencies 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. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Department of Labour - Vote 15
Report of the Auditor-General for the year ended 31 March 2009

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Capital assets	1, 5	1, 2, 5	3, 4	3	1
8	Public, Private Partnership assets	1, 5	1, 2, 5	3, 4	3	1

Overall conclusion on financial management based on the root causes

15. Based on the above basis for qualification, the Department of Labour does not have an adequate control environment in place to ensure that assets in the assets register are complete, accurate, do exist and belong to the Department. Furthermore, the Department did not have capacity to implement corrective action relating to previous year's findings on assets.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5

Department of Labour - Vote 15 Report of the Auditor-General for the year ended 31 March 2009

CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorized, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

16. 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 key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓

Department of Labour - Vote 15
Report of the Auditor-General for the year ended 31 March 2009

No.	Matter	Y	N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 40/55 of the PFMA	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The Department of Labour 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	✓	
7.	Internal audit		
	• The Department of Labour 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		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2/27.2		✓
12.	Delegation of responsibilities are in place, as set out in section 44/56 of the PFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	SCOPA resolutions have been substantially implemented.		✓

Department of Labour - Vote 15
Report of the Auditor-General for the year ended 31 March 2009

No.	Matter	Y	N
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Department of Labour against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulations 5.1, 5.2 and 6.1		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

17. The Department does not have sufficient capacity to implement controls to manage and monitor the assets of the Department and carry out the internal audit responsibilities.

Investigations

18. Investigations were conducted during the period under review relating to fraudulent activities with regard to unauthorised payments. At the time of this report, further investigations were still underway.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

19. I have reviewed the performance information as set out on pages 26 to 76.

The accounting officer's responsibility for the performance information

20. 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 of Labour.

The Auditor-General's responsibility

21. 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.

22. 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.

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

Findings on performance information

Non-compliance with regulatory requirements

Content of strategic plan

24. The strategic plan of the Department of Labour did not include the measurable objectives, expected outcomes, programme outputs, indicators (measures) and targets of the entity's

Department of Labour - Vote 15
Report of the Auditor-General for the year ended 31 March 2009

programmes, as required by Treasury Regulation 5.2.3(d).

Lack of effective, efficient and transparent systems and internal controls regarding performance management

25. The accounting officer did not ensure that the Department of Labour has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the institution's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 38(1)(a)(i) and (b) of the PFMA.

Usefulness and reliability of reported information

26. The following criteria were used to assess the usefulness and reliability of the information on the Department's performance with respect to the objectives in its strategic plan:

- Consistency: Has the Department reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported information

27. The Department of Labour has not reported on its performance with regard to its objectives, indicators and targets as per the approved strategic plan. However, the Department consistently reported on its objectives, indicators and targets as per the ENE.

APPRECIATION

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

Auditor - General

Pretoria

2 August 2009



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

1. General review of the state of financial affairs

The aim of the Department of Labour is to reduce unemployment, poverty and inequality, through policies and programmes developed in consultation with social partners, which are aimed at; improved economic efficiency and productivity, skills development and employment creation; sound labour relations; eliminating inequality and discrimination in the workplace and alleviating poverty in the workplace; enhancing occupational health and safety awareness and compliance in the workplace; as well as nurturing the culture of acceptance that worker rights are human rights.

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

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

Decent work

The draft Decent Work Country Programme was developed in collaboration with the International Labour Organisation (ILO) and in consultation with social partners. The programme focuses on strengthening support for existing skills development and employment services programmes in specific areas and on formulating new initiatives to deal with labour market challenges, especially in relation to creating employment and alleviating poverty. The four pillars of the Decent Work agenda are: fundamental principles and rights at work and international labour standards, employment and income opportunities, social dialogue and tripartism (collaboration between government, trade unions and employers), and social protection and social security. These will be dealt with in the context of related government reform processes and the Department's constitutional obligations.

Occupational health and safety

The draft framework document which gives effect to the integration of occupational health and safety and compensation competencies across government was finalised in 2008. Both the draft National Occupational Health and Safety Bill and the policy were developed. The main objective of the policy is to reduce the number of work related accidents and diseases by promoting a culture of prevention. The secondary objective is to ensure equitable medical, rehabilitation and compensation benefits for victims of work-related accidents and diseases.

Skills development

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

Formally establishing the Quality Council for Trades and Occupations (which will have the same status as the Council for Higher Education and the Umalusi Council for General and Further Education) under the Ministry of Labour, establishing Productivity SA, listing the National Skills Fund as a public entity, introducing additional functions to the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) to moderate artisan assessments; expanding the provision of employment services to work-seekers; and introducing a register of artisans. These developments will: improve the quality of training, including more effective workplace learning, improve and sustain productivity in both the private and public sectors, which will save jobs and contribute to economic growth, improve the operational efficiency of the National Skills Fund to train more unemployed people, in line with national skills development strategy targets, provide increased access to learners for trade assessment, and professionalise and promote the training of artisans in response to labour market demands.

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

The Department has also proposed certain amendments to the Income Tax Act (1962), aimed at providing equitable employer tax allowances for taking on long-term learnerships.

Employment services system

The employment services system, developed in line with international best practice standards and International Labour Organisation conventions, includes an IT system to assist the Department to provide a public employment service by registering work-seekers and placement opportunities and providing job matching services for potential employers and work-seekers. The system will help government to deal with unemployment, generate useful statistics, and support social security functions by integrating social insurance services. The system will also support: 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 will align provincial skills development plans and interventions with provincial growth and development strategies.

Spending trends

Excluding direct charges against the National Revenue Fund, expenditure decreased at a rate of 15.46%, from R1.94 billion in 2007/08 to R1.64 billion in 2008/09. This was mainly due to a once-off allocation of R400 million to the Umsobomvu Youth Fund, which was used to facilitate youth development and employment creation.

Direct charges against the National Revenue Fund provide for the transfer of skills development levies to the Sector Education and Training Authorities and the National Skills Fund, which is expected to grow from R7.2 billion in 2008/09 to R9.1 billion in 2011/12, at an average annual rate of 8.3%. Direct charges are included under transfers and subsidies.

Expenditure in the Employment and Skills Development Services/Human Resources Development programme excluding the once-off allocation of R400 million to the Umsobomvu Youth Fund increased at an average annual rate of 15%, from R117.4 million in 2005/06 to R172.5 million in 2008/09, and is expected to increase to R572.5 million in 2011/12, over the MTEF period, due to the additional allocation of R996.4 million to the Umsobomvu Youth Fund.

Between 2005/06 and 2008/09, expenditure on the Labour Policy and Labour Market Programmes grew at an average annual rate of 10.4% due to additional allocations to:

- the Commission for Conciliation, Mediation and Arbitration subprogramme for increased capacity at the commission
- the Sheltered Employment Factories subprogramme for a provident fund for wage workers and the salary alignment of staff at the sheltered employment factories.

Spending on compensation of employees grew at an average annual rate of 8.56% between 2005/06 and 2008/09. Expenditure on goods and services is anticipated to grow at an average annual rate of 2.8%, from R575.6 million in 2008/09 to R638.6 million in 2011/12, due to cost containment measures.

Over the MTEF period, expenditure on payments for capital assets is expected to increase, from R12.1 million in 2008/09 to R15.9 million in 2011/12, because projects at INDLELA have been suspended as a result of ongoing concerns about the dolomite ground structure in the area. The project will start again, pending an investigation by the Department of Public Works.

The 2009 Budget provides additional allocations over the MTEF period of R320.7 million (2009/10), R358.4 million (2010/11) and R375.4 million (2011/12), mainly for:

Department of Labour - Vote 15 Report of the Accounting Officer for the year ended 31 March 2009

- the Umsobomvu Youth Fund (R303 million, R342 million and R356.4 million)
- personnel inflation adjustments (R18.9 million, R17 million and R17.5 million)
- capital inflation adjustments (R1.8 million, 1.4 million and R1.5 million).

Savings and reprioritisation

The Department has identified efficiency savings and cost containment initiatives totalling R204 million over the MTEF period, across all programmes in the following items:

- R14.6 million in compensation of employees due to savings on funded vacancies
- R150.1 million in goods and services, including travel and subsistence, contractors, inventory, food and food supplies, computer services and consultants
- R27.2 million in departmental agencies and accounts, specifically the allocation to the Compensation Fund
- R12.1 million in machinery and equipment due to the suspension of projects at INDLELA.

Infrastructure spending

Infrastructure spending grew at an average annual rate of 70.6% between 2005/06 and 2008/09, rising from R5.5 million to R27.3 million, due to the construction of labour centres and provincial offices at Bochum, Jane Furse, Taung, Temba, Bronkhorstspuit, Garankuwa, Rustenburg, Mount Ayliff, Mamelodi, Mdantsane, Durban and Lusikisiki. These projects were registered at the Department of Public Works and are in various stages of development.

Funding over the MTEF period for projects in the design and tender recommendation stages amounts to R2.6 million in 2009/10, R3.8 million in 2010/11 and R4 million in 2011/12. The new projects arise because lease contracts have expired and no accommodation that meets Department of Public Works requirements is available. Several renovation and maintenance programmes for provincial offices and labour centres were registered by the Department of Public Works, with funding for these amounting to R25.5 million in 2010/11 and R26.8 million in 2011/12.

Virement:

Programme 1

- R3 million virement approved by National treasury to programme 4 for Strengthening of Civil Society which is a Transfer Payment (Departmental Agencies and Accounts), from that of Goods and Services under Programme: Administration for the 2008/09 financial year. Refer to the notes of the Appropriation Statement.

Programme 3

- R27.960 million was shifted to Programme 4; Sheltered Employment Factories, broken down as follows:
 - R10.96 million from Compensation of Employees, because not all vacant posts could be filled as planned. Therefore these funds will be taken to Repairs and Maintenance programmes (RAMP) at Sheltered Employment Factories in Programme 4
 - Due to vacancy of some posts, utilisation of the Goods and Services budget has been lower than expected, therefore R9 million was shifted from Goods and Services
 - R8 million was shifted from Payment for Capital Assets due to the Machinery and Equipment budget that could not be exhausted due to the delays in procurement processed by the Department of Public Works (DPW), has been shifted to Sheltered Employment Factories (SEF) in Programme 4 to defray R14 million required to resolve liquidity issues.

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

- R13 million virement was made to Productivity SA from the Department's allocation. A turnaround plan was developed to reduce the deficit incurred in the 2007/08 financial year. National Treasury proposed that the Department consider the approval of a cash injection as one of the options to address this situation. Application for this cash injection was then drawn up by the Department and was approved by the National Treasury. The turnaround plan reflected a shortfall of R4.1million, towards off-setting the envisaged deficit. However, as agreed in deliberations with the National Treasury, it was essential that the Entity should have a reserve fund, hence the request for an additional R9 million. The ESDS and HRD Branch projected R8 million under-expenditure on Goods and Services due to delays in the QCTO establishment as well as in contracting of consultants for services at INDLELA. An amount of R3.5 million was then sourced from the projected under-expenditure on compensation of employees, brought about by the delays in filling vacant posts resulting from staff turnover, and R1.5 million from the CAPEX saving due to procurement delays by the DPW. The total amount of R13 million was then made available for transfer to Productivity SA.

Programme 4

Total funding required by Programme 4 was R37.593 million. Please note that this was approved by National Treasury in the Appropriation Statement.

Virement applied

- R14 million required to address critical liquidity facing Sheltered Employment Factories (SEF) was shifted from Programme 3
- R6.4 million required to address Provident and Wage issues, was taken from savings under goods and services within the Programme
- R17.193 million was required for Repairs and Maintenance programmes (RAMP) at SEF; of these R13.96 million was sourced from Programme 3 and R3.233 million was reprioritised within Programme 4.

Reasons for under-spending

The Department has recorded expenditure to the value of R 1 642 841 245.55 against its final allocation of R1 747 606 000.00. This calculates to an under-spending of R104 764 754.45 or 5.99%.

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

Any other material matter

Irregular expenditure of R716 000.00 has been incurred as disclosed in note 23 of the 2008/09 Annual Financial Statements.

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 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 amounts to R6 319 395.98.

3. Capacity constraints

Vacancies in the Department placed a strain on its capacity to effectively deliver its services. The Department noted that control procedures need to be implemented to improve recruitment processes. The vacancy rate is 17.23% as at 31 March 2009. The reasons why staff leave the Department (including the National Skills Fund) are established through exit interviews and in most cases, these are related to better remuneration elsewhere. As previously reported, the Department adopted a policy on career management and retention in an attempt to curb the high turnover rate of staff.

4. Utilisation of donor funds

The Department, mainly ESDS and Employment Services, received Technical Assistance from the German Technical Co-operation Assistance programme overseen by the National Treasury.

5. Public entities

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

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

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

- Umsobomvu Youth Fund (UYF).

Commission for Conciliation, Mediation and Arbitration (CCMA)

The CCMA was established in terms of section 112 of the Labour Relations Act, 1995 (LRA). The Commission's functions are to:

- Attempt to resolve disputes through conciliation and arbitration
- Assist in the establishment of workplace forums
- Compile and publish information and statistics about its activities
- Advise a party on the procedure to follow in respect of a dispute in terms of the Act
- Assist a party to obtain legal advice, assistance or representation in respect of a dispute
- Offer to resolve a dispute that has not been referred to the Commission through conciliation
- Conduct, oversee or scrutinise any election or ballot of a registered trade union or registered employers' organisation if requested to do so
- Publish guidelines in relation to any matter dealt with in this Act
- Conduct and publish research into matters relevant to its functions
- Provide, upon request, workers, employers, registered trade unions, registered employers' organisations or councils with advice on training relating to the primary objectives 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 (CF)

The CF 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)

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

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

Furthermore, and to achieve the above, the Council:

- May investigate as it may consider necessary and shall continually survey and analyse social and economic affairs
- Shall keep abreast of international developments in social and economic policy
- Shall continually evaluate the effectiveness of legislation and policy affecting social and economic policy
- May conduct research into social and economic policy
- Shall work in close cooperation with government departments, statutory bodies, programmes and

other forums and non-governmental agencies engaged in the formulation and the implementation of social and economic policy.

Productivity South Africa (PSA)

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

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

Sectoral Education and Training Authorities (SETAs)

A total of 23 SETAs were established for a period of 60 months in terms of section 9 of the Skills Development Act, 1998 and may apply to be re-certified for another period of 60 months or for a period as will be determined by the Minister.

The list of SETAs for the 2005-2010 period are:

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

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

- Develop sector skills plans within the framework of the National Skills Development Strategy
- Implement sector skills plans through establishing learnerships

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

- Approve workplace skills plans
- Allocate grants in the prescribed manner to employers, workers, and education and training providers
- Monitor education and training in the sector
- Promote learnerships by identifying workplaces for practical work experience and registering learnerships
- Any other functions as required in terms of their approved constitution.

Unemployment Insurance Fund (UIF)

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

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

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

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

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

Umsobomvu Youth Fund (UYF)

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

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

Other entities

National Skills Fund (NSF)

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

- A total of 20% of the skills development levies as determined in the Skills Development Levies Act
- The skills development levies collected and transferred to the Fund, in terms of the Skills Development Levies Act, in respect of those employers or sectors for which there are no SETAs

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

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

Sheltered Employment Factories (SEF)

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

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

7. Public/private partnerships (PPP)

See disclosure note 26 to 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 Fund and Compensation Fund, for a period of 10 years.

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 of the Department
- In terms of the Public Finance Management Act, the Head of the Department (Director-General) is the Accounting Officer of the Department
- The Accounting Officer is individually and personally accountable for achieving good value for money, safeguarding and maintenance of 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 and the Chief Financial Officer. The Committee deals with strategic and administrative matters of the Department

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

- Management Team - consists of the Director-General and the Deputy Directors-General and oversees the implementation of decisions and coordination of activities between the Management Committee and the Departmental Executive Committee
- The Budget Advisory Committee - determines 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.

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 government's labour market objectives. These objectives and actions then translate into the roles and responsibilities of the Department in achievement of the strategic plan.

The 10 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.

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 and project teams 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.

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 (UIF) and Compensation Fund (CF). The chairpersons of the two audit committees of the two Funds are members of the Audit Committee of the Department. The 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 consists of:

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

The following people are permanent invitees:

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

Risk management approach

A Risk Management Unit within the Department has been established.

The Risk Management Unit has already commenced with the development of a Risk Management Strategy and carrying out risk assessments. Risk assessments were previously conducted by Internal Audit and reports are available. The Risk Management Unit has already conducted 75% of the strategic risk assessment. A comprehensive risk assessment will be conducted during the current financial year.

Directorate of Internal Audit

The Directorate of Internal Audit 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.

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

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.

Fraud prevention policies

A separate Fraud Prevention Plan for the Department has been developed, however it was not approved.

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 within all provincial offices, labour centres and visiting points are bar-coded. However, according to the findings of the Auditor-General there are still some assets not bar-coded and the Department has developed an internal strategy to resolve this problem
- 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 of being updated in order to meet the minimum requirements as set out by National Treasury
- Disposal and asset management policies are in place and the implementation thereof will be enforced.

11.3 An Asset Management Unit was established at Head Office. National asset verification is performed on all assets at Head Office, INDLELA and provincial offices. The Integrated Asset Management Solution (IAMS) system has been rolled out to INDLELA and provincial offices. The following milestones will be achieved during the 2009/10 financial year:

- Capturing and linking assets to life cycles
- BAS reconciliation to asset register

- Clearing of the LOGIS ledger (duplicate ledgers)
- Asset acquisition plan
- Asset operations and maintenance plan.

12. Events after the reporting date

In his State of the Nation address in Parliament, the Honourable State President announced his intention to perform a macro reorganisation of functions within Government. In this regard, the current structure of the Department of Labour will be impacted upon through the shift of the skills development functions from the Department of Labour, where they currently reside, to the newly established Department of Higher Education and Training. A Presidential proclamation was due to be published in August 2009 to effect the transfer by November 2009.

13. Performance Information

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

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

Level reporting exists as follows:

- Subdirectorates combine their reports into a Directorate Report
- Directorates combine their reports into a Programme Report
- Programme reports are combined into 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.

Annual Review and Planning Workshop

Senior Executive Managers up to the level of the Minister attend the evaluation discussion of an entire year's performance as well as the Planning Workshop. The outcome of the Annual Review and Planning Workshop is utilised as reporting information in the annual report.

14. SCOPA resolutions

Reference to previous audit report and SCOPA resolutions		
	Subject	Findings on progress
19 th SCOPA, dated 11 March 2008	1. Fixed assets	An Asset Management Unit has been established in order to address all asset related matters
19 th SCOPA, dated 11 March 2008	2. Vacancies	The vacancy rate is 17.23% as at 31 March 2009

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

Reference to previous audit report and SCOPA resolutions		
	Subject	Findings on progress
19 th SCOPA, dated 11 March 2008	3. Leave entitlement	The Department implemented the following measures to deal with the administration of leave: a) Continuous performance of leave audits. b) Attendance and leave registers are reconciled on a regular basis. c) Leave forms and relevant proof are attached to files of employees. d) All leave forms are filed and captured on PERSAL. e) No sick or study leave forms are captured on PERSAL without supporting documentation. f) Leave registers for regional offices are submitted to provincial offices on a weekly basis. g) All members of staff are sensitised through circulars and other means about their obligations with regards to leave administration.
19 th SCOPA, dated 11 March 2008	4. Receivables	The Department has implemented an approved Debt Management Policy which has been developed in accordance with the relevant Treasury Regulations. Irrecoverable debts are written off in terms of this policy. <ul style="list-style-type: none"> ● The Department has written off irrecoverable debts to the value of R2 142 140.37 in terms of the 2007/08 financial year ● An amount of R2 122 563.39 has been referred to the State Attorney for collection ● As at March 2009, a total of 780 cases amounting to R6 506 682.56 have been referred to the Chief Directorate of Legal Services which could either be recovered or written off ● Legal Services has recommended that an amount of R2 217 038.77 be written off during the 2008/09 financial year ● The amount that was recovered from in-service officials from April 2008 to March 2009 is R 727 299.09. <p>Amounts are written off as recommended by Legal Services.</p>
19 th SCOPA, dated 11 March 2008	5. General a) The monitoring of the suspense account; and b) Inadequate remuneration policies	a. Suspense accounts are being monitored on an ongoing basis. b. Remuneration policies have now been included in the Financial Management Policies and Procedure Manual.
19 th SCOPA, dated 11 March 2008	6. The Committee recommends that the Accounting Officer ensures that quarterly progress reports are submitted to Parliament commencing within 60 days after the adoption of this report by the National Assembly	Reports are provided quarterly to SCOPA.

15. Prior modifications to audit reports

Audit Report 2007/08 - Progress as follows:

A) Qualification

Capital Assets:

1.1 Audit finding –The audit revealed the following significant shortcomings in the management and control of assets and asset register:

- (a) There were numerous assets with duplicate barcodes

Progress

- Duplicate barcodes were removed from the register. However, please take note that certain IT assets consist of different components (serial numbers) which will reflect similar bar-codes.
- (b) A number of assets on the assets register were included at incorrect values.

Progress

- The assets values have been re-calculated and the amounts corrected on the systems, however, the Department is still in the process to ensure that all assets are re-calculated.
- (c) The asset register was not adequately maintained in accordance with the requirements of National Treasury.

Progress

- Asset registers were maintained and implemented adequately for the reporting period. The Department will continue to ensure that the asset register are maintained according to National Treasury requirements.
- (d) 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.

Progress:

- The Department provided a reconciliation to the Auditor-General. However, differences were noted by the Auditor-General and the Department will provide a comprehensive reconciliation in this regard.

1.2 Audit finding – PPP Asset Register : Due to numerous discrepancies noted, the Auditor-General was 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.

- The Office of the Chief Information Officer (OCIO), in collaboration with the office of the Chief Financial Officer (CFO) and Siemens, compiled an action plan on how the OCIO and Siemens will assist the Asset Management Unit (AMU) in updating the IT asset register:
 - Siemens will provide the financial values of all IT assets procured since the inception of the PPP. This will enable the AMU to update the asset register
 - Siemens will provide monthly reports of all new IT assets procured, including financial information which will enable the AMU to update the asset register
 - The AMU will be informed of all movements of IT assets that are moved by the IT engineers.

Progress:

- Siemens provided the information as indicated in the action plan. AMU to verify correctness thereof and report discrepancies to the OCIO
- All information relating to new IT assets procured is provided to the AMU
- Ongoing process and has been implemented, movements of IT assets by SIEMENS are provided. Reports from the IT helpdesk are provided to the AMU on a monthly basis to verify movements.

B) Other matters

Internal controls

Department of Labour - Vote 15
Report of the Accounting Officer for the year ended 31 March 2009

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.

Non-compliance with applicable legislation

PFMA/Regulations

Audit Finding:

- (a) Treasury regulations 3.2.1 – An inadequate risk assessment for 2007/08 was performed, and a functional risk committee has not been implemented

Progress

- The Manager of Risk Management has been appointed at the beginning of 2009. The Risk Management Unit has just been established and three assistant managers are due to start at the beginning of April 2009. The Manager has undertaken to develop the first draft risk management strategy by the end of the first quarter in the financial year 2009/10. The first draft will be the basis for the initial consultation process in the Department
- The project planning process of the Department include the identification and management of project risks. At macro organisational level, this process is, however, limited to the identified strategic priorities of the Department which constitute the Integrated Work Plan or the Business Strategy of the Department. Such risks are managed proactively through the weekly and monthly management meetings which are chaired by the Acting Director-General
- Data quality risks will be resolved by the implementation of the Information Management System that is currently under design to be fully implemented by the beginning of the 2010/11 financial year.

National Treasury practice note SCM 3 of 2004 part 6

Audit Finding:

- (a) Although a detailed implementation plan for Supply Chain Management has been developed, only acquisition and logistics management has been implemented.
- (b) De-briefing session were not held with unsuccessful bidders.
- (c) Demand performance management has not been implemented.
- (d) No need assessment performed before each acquisition.
- (e) Performance of vendors not monitored.

Progress

Capacity challenges do not allow full implementation of this activity. Action will commence upon approval of the structure.

- (f) Monthly reporting questionnaires to National Treasury not completed and submitted by the Department on a monthly basis.

Progress

This is done electronically on National Treasury's website on a monthly basis.

Departments own enabling legislation

Audit Finding:

- (a) The Skills Development Levies Act No. 9 of 1999 – operating procedures are not formally documented and therefore it is not clear which controls were implemented by the Department

to administer the Act.

Progress

A detailed Standard Operating Procedure with specific reference to Part III: Roles and Responsibilities of the Director-General of Labour was provided to the Auditor-General.

- (b) 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.

Progress

A circular was sent to all provincial offices and programmes to emphasise the importance of adhering to this stipulation.

Other applicable legislation

Audit finding:

- 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.

Progress

- Tax reconciliation for 2006/07 was submitted to SARS on 31 July 2008 and the tax reconciliation for 2007/08 was submitted on 26 August 2008.

Performance information

Lack of systems generating performance information

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

Progress

The ESSA system was rolled out to all 125 labour centres.

16. Exemptions and deviations received from the National Treasury

None

17. Other

None.

18. Approval

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



Acting Director-General of Labour

Date: 31/07/2009

Department of Labour - Vote 15
Appropriation Statement for the year ended 31 March 2009

Appropriation per programme									
		2008/09						2007/08	
Appropriation Statement	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1 Administration									
Current payments	382 223	-	(3 971)	378 252	366 951	11 301	97.0%	357 492	326 954
Transfers and subsidies	-	-	1 711	1 711	1 711	-	100.0%	708	708
Payments for capital assets	1 984	-	2 260	4 244	4 244	-	100.0%	1 808	722
2 Service Delivery									
Current payments	671 480	-	(1 137)	670 343	614 336	56 007	91.6%	650 099	645 909
Transfers and subsidies	1 546	-	1 137	2 683	2 572	111	95.9%	2 053	1 970
Payments for capital assets	29 305	-	-	29 305	4 442	24 863	15.2%	13 257	8 874
3 Employment and Skills Development Services/Human Resource Development									
Current payments	91 398	(11 695)	(120)	79 583	76 117	3 466	95.6%	92 009	65 466
Transfers and subsidies	80 167	13 000	120	93 287	93 287	-	100.0%	472 661	472 661
Payments for capital assets	6 900	(1 305)	-	5 595	3 085	2 510	55.1%	10 369	1 992
4 Labour Policy and Labour Market Programmes									
Current payments	72 174	(5 218)	(737)	66 219	63 916	2 303	96.5%	79 422	70 253
Transfers and subsidies	399 507	5 218	737	405 462	405 462	-	100.0%	347 325	347 122
Payments for capital assets	421	-	-	421	352	69	83.6%	661	92
5 Social Insurance									
Transfers and subsidies	10 501	-	-	10 501	6 366	4 135	60.6%	10 001	5 898
Subtotal	1 747 606	-	-	1 747 606	1 642 841	104 765	94.0%	2 037 865	1 948 621
Statutory Appropriation									
Transfers and subsidies	7 529 600	(295 465)	-	7 234 135	7 234 135	-	100%	6 284 306	6 284 306
Total	9 277 206	(295 465)	-	8 981 741	8 876 976	104 765	98.8%	8 322 171	8 232 927
Reconciliation with Statement of Financial Performance									
Add: Departmental receipts				28 863				8 448	
Actual amounts per Statement of Financial Performance (total revenue)				9 010 604				8 330 619	
Actual amounts per Statement of Financial Performance (total expenditure)					8 876 976				8 232 927

Department of Labour - Vote 15 Appropriation Statement for the year ended 31 March 2009

Appropriation per economic classification									
Per economic classification	Adjusted appropriation	2008/09						2007/08	
		Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	628 875	(8 537)	(42 868)	577 470	541 427	36 043	93.8%	562 599	543 826
Goods and services	588 689	(8 376)	32 362	612 675	575 641	37 034	94.0%	614 109	562 442
Financial transactions in assets and liabilities	-	-	4 252	4 252	4 252	-	100.0%	2 314	2 314
Transfers and subsidies									
Departmental agencies and accounts	374 630	15 530	-	390 160	386 025	4 135	98.9%	375 350	371 247
Foreign governments and international organisations	7 689	2 688	-	10 377	10 377	-	100.0%	7 620	7 416
Public corporations and private enterprises	5 080	-	-	5 080	5 080	-	100.0%	400 000	400 000
Non-profit institutions	103 388	-	-	103 388	103 277	111	99.9%	46 433	46 361
Households	934	-	2 499	3 433	3 433	-	100.0%	3 345	3 335
Gifts and donations	-	-	1 206	1 206	1 206	-	100.0%	-	-
Payments for capital assets									
Buildings and other fixed structures	27 276	-	34	27 310	3 367	23 943	12.3%	13 643	6 260
Machinery and equipment	11 045	(1 305)	2 515	12 255	8 756	3 499	71.4%	12 369	5 420
Software and other intangible assets	-	-	-	-	-	-	-	83	-
Total	1 747 606	-	-	1 747 606	1 642 841	104 765	94.0%	2 037 865	1 948 621

Statutory appropriation									
Direct charges against the National/Provincial Revenue Fund	Adjusted appropriation	2008/09						2007/08	
		Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sector Education and Training Authorities (SETAs)	6 023 680	-	(236 372)	5 787 308	5 787 308	-	100.0%	5 027 445	5 027 445
National Skills Fund	1 505 920	-	(59 093)	1 446 827	1 446 827	-	100.0%	1 256 861	1 256 861
Total	7 529 600	-	(295 465)	7 234 135	7 234 135	-	100.0%	6 284 306	6 284 306

Department of Labour - Vote 15

Detail per Programme 1 – Administration for the year ended 31 March 2009

		2008/09						2007/08	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Minister									
Current payments	1 019	-	593	1 612	1 584	28	98.3%	1 108	1 108
1.2 Management									
Current payments	33 370	-	(6 813)	26 557	21 505	5 052	81.0%	23 141	23 202
Payments for capital assets	182	-	385	567	567	-	100.0%	389	389
1.3 Corporate Services									
Current payments	176 395	-	(1 340)	175 055	175 054	1	100.0%	172 212	146 847
Transfers and subsidies	-	-	183	183	183	-	100.0%	549	549
Payments for capital assets	558	-	(127)	431	431	-	100.0%	1 356	285
1.4 Financial Management									
Current payments	74 065	-	2 589	76 654	74 409	2 245	97.1%	72 091	71 380
Transfers and subsidies	-	-	1 528	1 528	1 528	-	100.0%	159	159
Payments for capital assets	1 244	-	2 002	3 246	3 246	-	100.0%	63	48
1.5 Property Management									
Current payments	97 374	-	1 000	98 374	94 399	3 975	96.0%	88 940	84 417
Total	384 207	-	-	384 207	372 906	11 301	97.1%	360 008	328 384

Annual Report

Department of Labour - Vote 15

Detail per Programme 1 – Administration for the year ended 31 March 2009

		2008/09						2007/08	
Programme 1 per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	79 879	-	(18 398)	61 481	59 156	2 325	96.2%	64 654	64 441
Goods and services	302 344	-	10 175	312 519	303 543	8 976	97.1%	290 524	260 199
Financial transactions in assets and liabilities	-	-	4 252	4 252	4 252	-	100.0%	2 314	2 314
Transfers and subsidies									
Households	-	-	505	505	505	-	100.0%	708	708
Gifts and donations	-	-	1 206	1 206	1 206	-	100.0%	-	-
Payments for capital assets									
Buildings and other fixed structures	-	-	34	34	34	-	100.0%	-	-
Machinery and equipment	1 984	-	2 226	4 210	4 210	-	100.0%	1 808	722
Total	384 207	-	-	384 207	372 906	11 301	97.1%	360 008	328 384

Department of Labour - Vote 15

Detail per Programme 2 – Service Delivery for the year ended 31 March 2009

Details per subprogramme	2008/09							2007/08	
	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
2.1 Management Support Services									
Current payments	201 617	-	(939)	200 678	194 643	6 036	97.0%	241 069	239 146
Transfers and subsidies	419	-	68	487	487	-	100.0%	341	341
Payments for capital assets	29 045	-	(17)	29 028	4 167	24 861	14.4%	12 623	8 240
2.2 Beneficiary Services									
Current payments	1	-	-	1	-	1	-	1	-
2.3 Employment Services									
Current payments	161 806	-	(821)	160 985	143 383	17 602	89.1%	129 634	128 501
Transfers and subsidies	642	-	447	1 089	978	110	89.9%	867	794
Payments of capital assets	230	-	(88)	142	142	-	100.0%	270	270
2.4 Inspection and Enforcement Services									
Current payments	266 387	-	(1 855)	264 532	236 086	28 446	89.2%	242 435	242 435
Transfers and subsidies	485	-	622	1 107	1 107	-	100.0%	835	835
Payments of capital assets	20	-	7	27	27	-	100.0%	173	173
2.5 Labour Market Information and Statistics									
Current payments	21 211	-	(1 470)	19 741	18 374	1 367	93.1%	20 502	19 813
Transfers and subsidies	-	-	-	-	-	-	-	10	-
Payments of capital assets	10	-	-	10	8	2	80.0%	57	57
2.6 Occupational Health and Safety									
Current payments	20 458	-	3 948	24 406	21 850	2 556	89.5%	16 458	16 014
Payments of capital assets	-	-	98	98	98	-	100.0%	134	134
Total	702 331	-	-	702 331	621 350	80 981	88.5%	665 409	656 753

Annual Report

Department of Labour - Vote 15

Detail per Programme 2 – Service Delivery for the year ended 31 March 2009

		2008/09						2007/08	
Programme 2 - per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	458 338	-	(25 141)	433 197	401 289	31 908	92.6%	407 839	403 649
Goods and services	213 142	-	24 004	237 146	213 047	24 099	89.8%	242 260	242 260
Transfers and subsidies									
International organisations	-	-	-	-	-	-	-	140	139
Non-profit institutions	612	-	-	612	501	111	81.9%	583	511
Households	934	-	1 137	2 071	2 071	-	100.0%	1 330	1 320
Payments for capital assets									
Buildings and other fixed structures	26 276	-	-	26 276	2 690	23 586	10.2%	10 643	6 260
Machinery and equipment	3 029	-	-	3 029	1 752	1 277	57.8%	2 614	2 614
Total	702 331	-	-	702 331	621 350	80 981	88.5%	665 409	656 753

Department of Labour - Vote 15
Detail per Programme 3 – Employment and Skills Development Services/Human
Resources Development for the year ended 31 March 2009

Details per subprogramme	2008/09							2007/08	
	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
3.1 NSF Admin and transfers									
Current payments	2 297	-	(1 316)	981	718	263	73.2%	1 434	1 434
Transfers and subsidies	46 949	-	-	46 949	46 949	-	100.0%	44 799	44 799
Payments of capital assets	-	-	69	69	69	-	100.0%	163	29
3.2 SETA Co-ordination									
Current payments	23 507	(1 784)	(1 362)	20 361	18 825	1 536	92.5%	25 188	15 858
Transfers and subsidies	-	-	-	-	-	-	-	708	708
Payments of capital assets	140	-	-	140	75	65	53.6%	163	159
3.3 INDELELA									
Current payments	46 567	(4 606)	1 411	43 372	43 307	65	99.9%	42 306	37 022
Transfers and subsidies	-	-	120	120	120	-	100.0%	517	517
Payments of capital assets	6 218	(1 305)	(69)	4 844	2 727	2 117	56.3%	9 850	1 611
3.4 Training of staff									
Current payments	1 200	-	953	2 153	2 153	-	100.0%	1 891	1 891
3.5 Programme Management Support									
Current payments	5 408	-	194	5 602	5 575	27	99.5%	5 711	4 672
Payments of capital assets	230	-	-	230	46	184	20.0%	151	151
3.6 NSA Secretariat									
Current payments	3 349	-	640	3 989	3 744	245	93.9%	5 479	3 791
Payments of capital assets	262	-	-	262	168	94	64.1%	42	42
3.7 Quality Development and Promotion									
Current payments	9 070	(5 305)	(640)	3 125	1 795	1 330	57.4%	10 000	798
Payments of capital assets	50	-	-	50	-	50	-	-	-
3.8 Productivity SA									
Transfers and subsidies	28 138	13 000	-	41 138	41 138	-	100.0%	26 637	26 637
3.9 Umsobomvu Youth Fund									
Transfers and subsidies	5 080	-	-	5 080	5 080	-	100.0%	400 000	400 000
Total	178 465	-	-	178 465	172 489	5 976	96.7%	575 039	540 119

Annual Report

Department of Labour - Vote 15
Detail per Programme 3 – Employment and Skills Development Services/ Human
Resources Development for the year ended 31 March 2009

		2008/09						2007/08	
Programme 3 - per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	51 421	(3 319)	(120)	47 982	46 172	1 810	96.2%	52 416	43 612
Goods and services	39 977	(8 376)	-	31 601	29 945	1 656	94.8%	39 593	21 854
Transfers and subsidies									
Departmental agencies and accounts	75 087	13 000	-	88 087	88 087	-	100.0%	71 436	71 436
Public corporations and private enterprises	5 080	-	-	5 080	5 080	-	100.0%	400 000	400 000
Households	-	-	120	120	120	-	100.0%	1 225	1 225
Payments for capital assets									
Buildings and other fixed structures	1 000	-	-	1 000	643	357	64.3%	3 000	-
Machinery and equipment	5 900	(1 305)	-	4 595	2 442	2 153	53.1%	7 369	1 992
Total	178 465	-	-	178 465	172 489	5 976	96.7%	575 039	540 119

Department of Labour - Vote 15
Detail per Programme 4 – Labour Policy and Labour Market Programmes
for the year ended 31 March 2009

		2008/09						2007/08	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
4.1 Programme Management Unit									
Current payments	8 887	(649)	728	8 966	8 078	888	90.1%	8 689	7 161
Transfers and subsidies	-	-	-	-	-	-	-	82	82
Payments for capital assets	25	-	-	25	-	25	-	77	63
4.2 Strengthen Civil Society									
Transfers and subsidies	13 373	2 530	-	15 903	15 903	-	100.0%	9 919	9 919
4.3 Collective Bargaining									
Current payments	8 651	(126)	83	8 608	8 608	-	100.0%	9 638	9 005
Transfers and subsidies	-	-	713	713	713	-	100.0%	-	-
Payments of capital assets	11	-	-	11	-	11	-	-	-
4.4 Employment Equity and Standards									
Current payments	27 070	(1 816)	(1 548)	23 706	23 244	462	98.1%	25 624	23 370
Transfers and subsidies	-	-	24	24	24	-	100.0%	-	-
Payments of capital assets	362	-	-	362	345	17	95.3%	291	-
4.5 Commission for Conciliation, Mediation and Arbitration									
Transfers and subsidies	261 710	-	-	261 710	261 710	-	100.0%	270 646	270 646
4.6 Research, Policy and Planning									
Current payments	8 524	(1 281)	(1 588)	5 655	4 778	877	84.5%	17 457	15 003
Payments of capital assets	23	-	-	23	7	16	30.4%	60	18
4.7 Labour Market Information and Statistics									
Current payments	4 431	(718)	311	4 024	4 016	8	99.8%	4 710	3 918
Payments of capital assets	-	-	-	-	-	-	-	70	11
4.8 International Labour Matters									
Current payments	11 401	(578)	1 207	12 030	12 029	1	100.0%	10 782	9 733
Transfers and subsidies	7 689	2 688	-	10 377	10 377	-	100.0%	7 480	7 277
Payments of capital assets	-	-	-	-	-	-	-	163	-
4.9 National Economic Development and Labour Council									
Current payments	444	(50)	-	394	368	26	93.4%	-	-
Transfers and subsidies	13 959	-	-	13 959	13 959	-	100.0%	13 348	13 348
4.10 Sheltered Employment Factories									
Current payments	2 766	-	70	2 836	2 795	41	98.6%	2 522	2 063
Transfers and subsidies	102 776	-	-	102 776	102 776	-	100.0%	45 850	45 850
Total	472 102	-	-	472 102	469 730	2 372	99.5%	427 408	417 467

Annual Report

Department of Labour - Vote 15 Detail per Programme 4 – Labour Policy and Labour Market Programmes for the year ended 31 March 2009

		2008/09						2007/08	
Programme 4 - per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current Payments									
Compensation of employees	39 237	(5 218)	791	34 810	34 810	-	100.0%	37 690	32 124
Goods and services	33 226	-	(1 817)	31 409	29 106	2 303	92.7%	41 732	38 129
Transfers and subsidies									
Departmental agencies and accounts	289 042	2 530	-	291 572	291 572	-	100.0%	293 913	293 913
International organisations	7 689	2 688	-	10 377	10 377	-	100.0%	7 480	7 277
Non-profit institutions	102 776	-	-	102 776	102 776	-	100.0%	45 850	45 850
Households	-	-	737	737	737	-	100.0%	82	82
Payments for capital assets									
Machinery and equipment	132	-	289	421	352	69	83.6%	578	92
Software and other intangible assets	-	-	-	-	-	-	-	83	-
Total	472 102	-	-	472 102	469 730	2 372	99.5%	427 408	417 467

Department of Labour - Vote 15 Detail per Programme 5 – Social Insurance for the year ended 31 March 2009

		2008/09						2007/08	
Details per subprogramme	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
5.1 Unemployment Insurance Fund									
Transfers and subsidies	1	-	-	1	-	1	-	1	-
5.2 Compensation Fund									
Transfers and subsidies	10 500	-	-	10 500	6 366	4 134	60.6%	10 000	5 898
Total	10 501	-	-	10 501	6 366	4 135	60.6%	10 001	5 898

		2008/09						2007/08	
Programme 5 - per economic classification	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies									
Departmental agencies and accounts	10 501	-	-	10 501	6 366	4 135	60.6%	10 001	5 898
Total	10 501	-	-	10 501	6 366	4 135	60.6%	10 001	5 898

Department of Labour - Vote 15

Notes to the Appropriation Statement for the year ended 31 March 2009

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

Detail of these transactions can be viewed in note 10 (Transfers and subsidies) and Annexure 1 (A-L) 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 9 (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	378 252	366 951	11 301	3
Transfers and subsidies	1 711	1 711	-	-
Payments for capital assets	4 244	4 244	-	-

There were delays on the filling of vacancies, which were mostly caused by the vetting processes conducted by an external agency. Equipment under R5 000 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.

Service Delivery				
Current Payments	670 343	614 336	56 007	8
Transfers and Subsidies	2 683	2 572	111	4
Payments for Capital Assets	29 305	4 442	24 863	85

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 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.)

Department of Labour - Vote 15

Notes to the Appropriation Statement for the year ended 31 March 2009

Employment and Skills Development Services/Human Resources Development				
Current payments	79 583	76 117	3 466	4
Transfers and subsidies	93 287	93 287	-	-
Payments for capital assets	5 595	3 085	2 510	45

The under-expenditure on compensation of employees was brought about by the process of reprioritising posts and also the filling of the critical posts. The delays on the filling of vacancies were mostly caused by the vetting processes conducted by an external agency. ESDS/HRD Goods and Services under-spent due to the delay and the rigorous process to appointment of consultants has taken longer than envisaged for 5 pilot projects. The delay in the filling of vacancies resulted in less expenditure on Goods and Services aligned to posts/staff. The lesser the staff establishment the lesser the goods required for service delivery. Delays by the Department of Public Works in the appointing a service provider for the security upgrade at INDLELA resulted in under-expenditure under this classification. Initial processes towards the said project only resumed early this year and the payment for the service provided has been processed from the current budget. (Invoice issued in this financial year).

Labour Policy and Labour Market Programmes	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation R'000
Current payments	66 219	63 916	2 303	3
Transfers and subsidies	405 462	405 462	-	-
Payments for capital assets	421	352	69	16

Delays in the issuing of disposal certificates and the lack of capacity within Sheltered Employment Factories to deliver orders on time.

The under-expenditure is mainly due to delays in the issuing of disposal certificates and the lack of capacity within Sheltered Employment Factories to deliver orders on time. Under-spending on Machinery and Equipment relates to lack of appropriate demand for expenditure against this line item and need to revise budgeting in the future. No authorisation to purchase furniture for incumbent manager's office as current furniture considered to be useable.

Social Insurance				
Transfers and subsidies	10 501	6 366	4 135	39

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

Department of Labour - Vote 15
Notes to the Appropriation Statement for the year ended 31 March 2009

4.2 Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Current payments:				
Compensation of employees	577 470	541 427	36 043	6.2
Goods and services	612 675	575 641	37 034	6.0
Unauthorised expenditure approved	4 252	4 252	-	-
Transfers and subsidies:				
Departmental agencies and accounts	390 160	386 025	4 135	1.1
Public corporations and private enterprises	5 080	5 080	-	-
Foreign governments and international organisations	10 377	10 377	-	-
Non-profit institutions	103 388	103 277	111	0.1
Households	3 433	3 433	-	-
Gifts and donations	1 206	1 206	-	-
Payments for capital assets:				
Buildings and other fixed structures	27 310	3 367	23 943	87.7
Machinery and equipment	12 255	8 756	3 499	28.6

Department of Labour - Vote 15 Statement of Financial Performance for the year ended 31 March 2009

	Note	2008/09 R'000	2007/08 R'000
Revenue			
Annual appropriation	1	1 747 606	2 037 865
Statutory appropriation	2	7 234 135	6 284 306
Departmental revenue	3	28 863	8 448
Total Revenue		9 010 604	8 330 619
Expenditure			
Current expenditure			
Compensation of employees	4	541 427	543 826
Goods and services	5	575 641	562 442
Financial transactions in assets and liabilities	6	4 252	2 314
Total current expenditure		1 121 320	1 108 582
Transfers and subsidies	7	7 743 533	7 112 665
Expenditure for capital assets			
Total expenditure for tangible capital assets	8	12 123	11 680
Total Expenditure		8 876 976	8 232 927
Surplus/(Deficit) for the year		133 628	97 692
Reconciliation of Net Surplus/(Deficit) for the year			
Voted Funds		104 765	89 244
Departmental Revenue	3	28 863	8 448
Surplus/(Deficit) for the year		133 628	97 692

Department of Labour - Vote 15
Statement of Financial Position for the year ended 31 March 2009

	Note	2008/09 R'000	2007/08 R'000
Assets			
Current assets		120 044	103 145
Cash and cash equivalents	9	61 273	23 514
Prepayments and advances	10	1 277	2 002
Receivables	11	57 494	77 629
Total assets		120 044	103 145
Liabilities			
Current liabilities		109 057	93 845
Voted funds to be surrendered to the Revenue Fund	12	104 765	89 244
Departmental revenue to be surrendered to the Revenue Fund	13	171	891
Payables	14	4 121	3 710
Total liabilities		109 057	93 845
Net assets		10 987	9 300
Represented by:			
Recoverable revenue		10 987	9 300
Total		10 987	9 300

Department of Labour - Vote 15
Statement of Changes in Net Assets for the year ended 31 March 2009

	Note	2008/09 R'000	2007/08 R'000
Recoverable revenue			
Opening balance		9 300	7 699
Transfers:		1 687	1 601
Irrecoverable amounts written off	6.3	(30)	(15)
Debts revised		(256)	(221)
Debts recovered (included in departmental receipts)		(3 840)	(2 322)
Debts raised		5 813	4 159
Total		10 987	9 300

Department of Labour - Vote 15
Cash Flow Statement for the year ended 31 March 2009

	Note	2008/09 R'000	2007/08 R'000
Cash flows from operating activities			
Receipts		9 010 604	8 330 619
Annual appropriated funds received	1.1	1 747 606	2 037 865
Statutory appropriated funds received	2	7 234 135	6 284 306
Departmental revenue received	3	28 863	8 448
Net (increase)/decrease in working capital		21 271	(49 990)
Surrendered to Revenue Fund		(118 827)	(47 624)
Current payments		(1 121 320)	(1 108 582)
Transfers and subsidies paid		(7 743 533)	(7 112 665)
Net cash flow available from operating activities	15	48 195	11 758
Cash flows from investing activities			
Payments for capital assets	8	(12 123)	(11 680)
Net cash flows from investing activities		(12 123)	(11 680)
Cash flows from financing activities			
Increase/(decrease) in net assets		1 687	1 601
Net cash flows from financing activities		1 687	1 601
Net increase/(decrease) in cash and cash equivalents		37 759	1 679
Cash and cash equivalents at the beginning of the period		23 514	21 835
Cash and cash equivalents at end of period	16	61 273	23 514

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 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/Provincial 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 15
Accounting Policies for the year ended 31 March 2009

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/Provincial 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.

2.3 Departmental revenue

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

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 payment is made from Revenue.

Forex gains are recognised on payment of funds.

2.3.7 Transfers received (including gifts, donations and sponsorships)

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

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

2.4 Direct exchequer receipts

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

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

2.5 Aid assistance

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 expended prior to the receipt of the funds is recognised 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.

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.

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

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 Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year.) Capitalised compensation forms part of the expenditure

Department of Labour - Vote 15
Accounting Policies for the year ended 31 March 2009

for capital assets in the Statement of Financial Performance.

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 payment to the fund is effected on the system by no later than 31 March of each year. No provision is made for retirement benefits in the Financial Statements of the Department. Any potential liabilities are disclosed in the Financial Statements of the National/Provincial Revenue Fund and not in the Financial Statements of the employer department.

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

3.1.4 Other long-term employee benefits

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

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the Disclosure Notes to the Financial Statements. 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 payment is effected on the system by no later than 31 March of each year. The expense is classified as capital if the goods and services were used 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 payment is effected on the system by no later than 31 March of each year. This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write-off occurs at year-end or when

funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a Disclosure Note.

Forex losses are recognised on payment of funds.

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

3.5 Transfers and subsidies

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

3.6 Unauthorised expenditure

When 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.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

3.8 Irregular expenditure

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

3.9 Expenditure for capital assets

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

4. Assets

4.1 Cash and cash equivalents

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

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

4.2 Other financial assets

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

Department of Labour - Vote 15
Accounting Policies for the year ended 31 March 2009

4.3 Prepayments 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 plus any accrual interest.

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

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

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

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

4.8.2 Immovable assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total

cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

Work-in-progress of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital asset”. On completion, the total cost of the project is included in the asset register of the Department that legally owns the asset or the provincial/national Department of Public Works.

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

5. Liabilities

5.1 Voted funds to be surrendered to the revenue fund

Unexpended appropriated funds are surrendered to the National/Provincial 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.

5.2 Departmental revenue to be surrendered to the 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 at cost.

5.3 Direct exchequer receipts to be surrendered to the revenue fund

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

Amounts received must be surrendered to the relevant revenue fund on receipt thereof. Any amount not surrendered at year end is reflected as a current payable in the Statement of Financial Position.

5.4 Bank overdraft

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

5.5 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.

5.6 Contingent liabilities

Contingent liabilities are included in the Disclosure Notes to the Financial Statements.

5.7 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.

5.8 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.

5.9 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.

5.10 Lease commitments

Finance leases

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

Operating leases

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

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/Provincial Revenue Fund on disposal, repayment or recovery of such amounts.

7.2 Recoverable revenue

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

8. Related party transactions

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

9. Key management personnel

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

10. Public private partnerships

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

Annual Report

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2009

1. Annual appropriation

1.1 Annual appropriation

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

	Final appropriation	Actual funds received	Funds not requested/not received	Appropriation received 2007/08
	R'000	R'000	R'000	R'000
Administration	384 207	384 207	-	365 653
Service Delivery	702 331	702 331	-	665 409
Employment and Skills Development Services / Human Resource Development	178 465	178 465	-	575 039
Labour Policy and Labour Market Programmes	472 102	472 102	-	421 763
Social Insurance	10 501	10 501	-	10 001
Total	1 747 606	1 747 606	-	2 037 865

	Note	2008/09	2007/08
		R'000	R'000
2. Statutory appropriation			
Sector Education and Training Authorities (SETAs)		5 787 308	5 027 445
National Skills Fund		1 446 827	1 256 861
Total		7 234 135	6 284 306
Actual Statutory Appropriation received		7 234 135	6 284 306
3. Departmental revenue			
Sales of goods and services other than capital assets	3.1	4 654	4 055
Fines, penalties and forfeits	3.2	436	395
Interest, dividends and rent on land	3.3	3 905	1 283
Financial transactions in assets and liabilities	3.4	19 868	2 715
Departmental revenue collected		28 863	8 448
3.1 Sales of goods and services other than capital assets			
Sales of goods and services produced by the Department	3	4 608	3 968
Sales by market establishment		584	482
Administrative fees		2 340	2 081
Other sales		1 684	1 405
Sales of scrap, waste and other used current goods		46	87
Total		4 654	4 055

Department of Labour - Vote 15
Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09 R'000	2007/08 R'000
3.2 Fines, penalties and forfeits	3		
Fines		436	395
Total		436	395
3.3 Interest, dividends and rent on land	3		
Interest		3 905	1 283
Total		3 905	1 283
3.4 Financial transactions in assets and liabilities	3		
Receivables		2 081	1 040
Stale cheques written back		7	9
Other receipts including recoverable revenue		17 780	1 666
Total		19 868	2 715
4. Compensation of employees			
4.1 Salaries and wages			
Basic salary		376 808	378 210
Performance award		8 894	7 058
Service based		435	35
Compensative/circumstantial		7 122	5 385
Other non-pensionable allowances		67 672	67 871
Total		460 931	458 559
4.2 Social contributions			
Employer contributions			
Pension		49 758	55 257
Medical		30 645	29 895
Bargaining Council		93	115
Total		80 496	85 267
Total compensation of employees		541 427	543 826
Average number of employees		3 079	3 881

Annual Report

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
5. Goods and services			
Administrative fees		2 633	176
Advertising		34 629	26 734
Assets less than R5 000	5.1	5 901	6 578
Bursaries (employees)		2 447	2 391
Catering		4 172	4 934
Communication		45 060	49 315
Computer services	5.2	119 425	87 699
Consultants, contractors and agency/outsourced Services	5.3	40 756	78 258
Entertainment		297	368
Audit cost – external	5.4	29 918	18 245
Inventory	5.5	38 795	32 917
Operating leases		87 877	78 182
Owned and leasehold property expenditure	5.6	21 308	31 131
Transport provided as part of the departmental activities		40	157
Travel and subsistence	5.7	111 557	109 511
Venues and facilities		18 263	18 010
Training and staff development		9 885	12 514
Other operating expenditure	5.8	2 678	5 322
Total		575 641	562 442
5.1 Assets less than R5 000			
Tangible assets	5		
Machinery and equipment		5 901	6 578
Total		5 901	6 578
5.2 Computer services	5		
SITA computer services		27 615	11 522
External computer service providers		91 810	76 177
Total		119 425	87 699
5.3 Consultants, contractors and agency/outsourced services	5		
Business and advisory services		2 234	260
Infrastructure and planning		1 330	1 017
Legal costs		2 307	1 243
Contractors		15 443	46 353
Agency and support/outsourced services		19 442	29 385
Total		40 756	78 258

Department of Labour - Vote 15
Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
5.4 Audit cost – external	5		
Regularity audits		29 918	17 504
Performance audits		-	741
Total		<u>29 918</u>	<u>18 245</u>
5.5 Inventory	5		
Learning and teaching support material		62	15
Food and food supplies		1 721	1 416
Fuel, oil and gas		1 131	1 226
Other consumable materials		2 731	2 269
Maintenance material		5 592	4 445
Stationery and printing		27 531	23 535
Medical supplies		27	11
Total		<u>38 795</u>	<u>32 917</u>
5.6 Owned and leasehold property expenditure	5		
Municipal services		13 376	11 804
Property management fees		668	590
Other		7 264	18 737
Total		<u>21 308</u>	<u>31 131</u>
5.7 Travel and subsistence			
Local	5	101 870	103 490
Foreign		9 687	6 021
Total		<u>111 557</u>	<u>109 511</u>
5.8 Other operating expenditure			
Professional bodies, membership and subscription fees		139	91
Resettlement costs		1 148	1 851
Other		1 391	3 380
Total		<u>2 678</u>	<u>5 322</u>

	Note	2008/09	2007/08
		R'000	R'000
6. Financial transactions in assets and liabilities			
Other material losses written off	6.1	2 092	-
Debts written off	6.2	2 160	2 314
Total		4 252	2 314
6.1 Other material losses written off			
Nature of losses	6		
Salary overpayment		1 078	-
Irregular expenditure		1 014	-
Total		2 092	-
6.2 Debts written off			
Nature of losses	6		
Staff debts		2 106	2 314
Other		54	-
Total		2 160	2 314
6.3 Recoverable revenue written off			
Nature of losses			
Breach of contract	Stat Chg in NA	30	15
Total		30	15
7. Transfers and subsidies			
Departmental agencies and accounts	Annex 1A	7 620 160	6 655 553
Foreign governments and international organisations	Annex 1C	10 377	7 416
Public corporations and private enterprises	Annex 1B	5 080	400 000
Non-profit institutions	Annex 1D	103 277	46 361
Households	Annex 1E	3 433	3 335
Gifts, donations and sponsorships made	Annex 1F	1 206	-
Total		7 743 533	7 112 665

Department of Labour - Vote 15
Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
8. Expenditure for capital assets			
Tangible assets		12 123	11 680
Buildings and other fixed structures	30.1	3 367	6 260
Machinery and equipment	28.1	8 756	5 420
Total		12 123	11 680

8.1 Analysis of funds utilised to acquire capital assets – 2008/09

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets			
Buildings and other fixed structures	3 367	-	3 367
Machinery and equipment	8 756	-	8 756
Total	12 123	-	12 123

Analysis of funds utilised to acquire capital assets – 2007/08

Total assets acquired	11 680	-	11 680
------------------------------	---------------	----------	---------------

9. Cash and cash equivalents

	Note	2008/09	2007/08
		R'000	R'000
Consolidated Paymaster - General Account		60 651	23 110
Cash receipts		7	-
Disbursements		95	8
Cash on hand		520	396
Total		61 273	23 514

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
10. Prepayments and advances			
Travel and subsistence		339	779
Advances paid to other entities		938	1 223
Total		1 277	2 002

11. Receivables

	Note	2008/09			Total	2007/08
		Less than one year	One to three years	Older than three years	Total	Total
		R'000	R'000	R'000	R'000	R'000
Claims recoverable	11.1 Annex 3	670	3 912	34 095	38 677	60 241
Recoverable expenditure	11.2	981	-	-	981	-
Staff debt	11.3	2 966	5 227	9 517	17 710	15 635
Other debtors	11.4	46	16	64	126	1 753
Total		4 663	9 155	43 676	57 494	77 629

11.1 Claims recoverable

	Note	2008/09	2007/08
		R'000	R'000
National departments	11	1 222	483
Provincial departments		69	45
Public entities		37 331	59 679
Private enterprises		43	-
Local governments		12	34
Total		38 677	60 241

11.2 Recoverable expenditure (disallowance accounts)

	Note	2008/09	2007/08
		R'000	R'000
Disallowance	11	981	-
Total		981	-

11.3 Staff debt

	Note	2008/09	2007/08
		R'000	R'000
Staff debtors	11	17 710	15 635
Total		17 710	15 635

Department of Labour - Vote 15
Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09 R'000	2007/08 R'000
11.4 Other debtors	11		
Clearing accounts		62	702
Disall dishonoured cheques		38	26
Irregular expenditure		-	1 014
Arrear wages debt		26	11
Total		126	1 753
12. Voted funds to be surrendered to the Revenue Fund			
Opening balance		89 244	39 955
Transfer from Statement of Financial Performance		104 765	89 244
Paid during the year		(89 244)	(39 955)
Closing balance		104 765	89 244
13. Departmental revenue to be surrendered to the Revenue Fund			
Opening balance		891	112
Transfer from Statement of Financial Performance		28 863	8 448
Paid during the year		(29 583)	(7 669)
Closing balance		171	891
14. Payables – current			
Description		2008/09 Total	2007/08 Total
Amounts owing to other entities	Annex 4	118	965
Clearing accounts	14.1	3 392	2 243
Other payables	14.2	611	502
Total		4 121	3 710
14.1 Clearing accounts	14		
Salary control accounts		3 392	2 243
Total		3 392	2 243
14.2 Other payables	14		
Recoverable expenditure		570	469
Arrear wages		41	33
Total		611	502

Department of Labour - Vote 15

Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
15. Net cash flow available from operating activities			
Net surplus/(deficit) as per Statement of Financial Performance		133 628	97 692
Add back non cash/cash movements not deemed operating activities		(85 433)	(85 934)
(Increase)/decrease in receivables – current		20 135	(58 757)
(Increase)/decrease in prepayments and advances		725	6 156
(Increase)/decrease in other current assets		-	1 260
Increase/(decrease) in payables – current		411	1 351
Expenditure on capital assets		12 123	11 680
Surrenders to Revenue Fund		(118 827)	(47 624)
Net cash flow generated by operating activities		48 195	11 758
16. Reconciliation of cash and cash equivalents for cash flow purposes			
Consolidated Paymaster-General Account		60 651	23 110
Cash receipts		7	-
Disbursements		95	8
Cash on hand		520	396
Total		61 273	23 514

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08	
		R'000	R'000	
These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.				
17. Contingent liabilities				
Liable to	Nature			
Motor vehicle guarantees	Employees	Annex 2A	191	254
Housing loan guarantees	Employees	Annex 2A	11 654	12 881
Claims against the Department		Annex 2B	2 861	919
Other departments (interdepartmental unconfirmed balances)		Annex 4	13 324	408
Total			28 030	14 462
18. Commitments				
Current expenditure				
Approved and contracted			12 903	7 127
Approved but not yet contracted			-	-
Total commitments			12 903	7 127
19. Accruals				
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Compensation of employees	-	-	-	-
Goods and services	933	904	1 837	11 552
Buildings and other fixed structures	-	872	872	-
Machinery and equipment	55	201	256	-
Total	988	1 977	2 965	11 552
Listed by programme level				
Programme 1 – Administration			109	5 973
Programme 2 – Service Delivery			1 905	5 191
Programme 3 – ESDS/HRD			933	307
Programme 4 – LP & LMP			18	81
Total			2 965	11 552

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
20. Employee benefits			
Leave entitlement		18 902	15 683
Thirteenth cheque		16 747	16 045
Performance awards		-	81
Capped leave commitments		34 195	32 347
Total		69 844	64 156

	Land	Buildings and other fixed structures	Machinery and equipment	Total
21. Lease commitments				
21.1 Operating leases expenditure				
2008/09				
Not later than 1 year	-	-	-	-
Later than 1 year and not later than 5 years	-	-	5	5
Total lease commitments			5	5
2007/08				
Not later than 1 year	-	-	15	15
Later than 1 year and not later than 5 years	-	-	5	5
Total lease commitments			20	20
21.2 Finance leases expenditure**				
2008/09				
Not later than 1 year	-	-	3 556	3 556
Later than 1 year and not later than 5 years	-	-	3 853	3 853
Later than 5 years	-	-	-	-
Total lease commitments			7 409	7 409
Less: finance costs	-	-	-	-
Total present value of lease liabilities			7 409	7 409
2007/08				
Not later than 1 year	-	-	2 472	2 472
Later than 1 year and not later than 5 years	-	-	2 910	2 910
Later than 5 years	-	-	-	-
Total lease commitments			5 382	5 382
Less: finance costs	-	-	-	-
Total present value of lease liabilities			5 382	5 382

**This note excludes leases relating to public private partnership as they are separately disclosed to note no.26.

Note: The considerable increase for the 2008/09 financial year is mainly due to expired contracts renewed during this financial year.

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

	Note	2008/09	2007/08
		R'000	R'000
22. Receivables for departmental revenue			
Sales of goods and services other than capital assets		-	-
Fines, penalties and forfeits		-	-
Interest, dividends and rent on land		53	-
Financial transactions in assets and liabilities		-	-
Total		53	-
23. Irregular expenditure			
23.1 Reconciliation of irregular expenditure			
Opening balance		1 014	1 012
Add: Irregular expenditure – relating to prior year		-	2
Add: Relating to prior year not disclosed		510	-
Add: Irregular expenditure - relating to current year		716	-
Less: Amounts condoned		(1 524)	-
Irregular expenditure awaiting condonation		716	1 014
Analysis of awaiting condonation per age classification			
Current year		716	2
Prior years		-	1 012
Total		716	1 014
23.2 Details of irregular expenditure current year			
Incident			
No prior approval obtained from Executive Authority as required by a DPSA circular		216	
Transfer payments without a signed service level agreement		500	
Total		716	
23.3 Details of irregular expenditure condoned			
Incident	Condoned by (condoning authority)	2008/09 R'000	
Amount not approved by the Subtender Committee	Director-General	1 439	
Expenditure in contravention with tender procedure	Director-General	45	
Overtime not approved timeously	Director-General	40	
Total		1 524	

24. Related party transactions

The disclosure note exclude transfers and subsidies paid to related parties as these transactions are disclosed in annexure 1A as well as disclosure of further relevant information in the report of the Accounting Officer note 2 and 5. The under-mentioned entities are regarded as related parties of the Department:

Financial Accounting Service SETA
 Banking SETA
 Chemical Industry SETA
 Clothing, Textiles, footwear and Leather SETA
 Construction SETA
 Education, Training and Development Practices SETA
 Energy SETA
 Food Beverages Manufacturing Industry SETA
 Forest Industry SETA
 Health and Welfare SETA
 Information Systems, Electronics and Telecommunications Technologies Training SETA
 Insurance SETA
 Local Government, Water and Related Service SETA
 Media Advertising, Publishing, Printing and Packaging SETA
 Mining Qualifications SETA
 Manufacturing Engineering SETA
 Safety and Security Sector SETA
 Agriculture Sector Education and Training Authority
 Public Service SETA
 Service SETA
 Tourism and Hospitality Sector SETA
 Transport SETA
 Wholesale and Retail SETA
 National Skills Fund
 Unemployment Insurance Fund
 Compensation Fund

	No. of individuals	2008/09 R'000	2007/08 R'000
25. Key management personnel			
Political office bearers (provide detail below)			
Officials:	1	1 479	951
Level 15 to 16	4	3 083	2 791
Level 14 (incl. CFO if at a lower level)	17	10 123	11 308
Total		14 685	15 050

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

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

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

The Department 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 three-yearly intervals. The private partner does not have an exclusive right to provide additional services, but does however, have a “first call” option

- Variations

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

- Scalability

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

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

- Excess profit regime

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

- Foreign exchange rate mechanism

The PPP Agreement makes provision for sharing the risk of devaluation of the Rand over the PPP Agreement period. The Department’s risk in the event that the Rand devaluates outside certain agreed parameters is capped and managed through a prescribed mechanism.

Nature and extent of the arrangement*a. Rights to use specified assets*

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

Legacy assets means the system of integrated computer hardware, operating systems software, departmental 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 payment of the relevant termination compensation to the private partner as set out in the PPP Agreement.

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

e. Renewal and termination options

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

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

The PPP Agreement makes provision for the following termination options:

- Department event of default
- Private partner event of default
- Termination on Force Majeure
- Termination on corrupt gifts and fraud.

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

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

g. Changes in the arrangement occurring during the period

None.

h. Reinvestment fund

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

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

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

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

summarised below:

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

As at 31 March 2009, the balance of the reinvestment fund was:

	2008/09	2007/08
Department of Labour	9 890 566	8 875 995
Compensation Fund	9 772 631	8 847 382
Unemployment Insurance Fund	9 856 317	8 839 423
Total	29 519 514	26 562 800

i. Expenditure for the financial year

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

Year ended	Unitary fee	Additional services	Total
31 March 2003	R40 833 333	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
31 March 2009	R202 499 896	R 11 967 310	R214 467 206

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 2009:

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	202 500	67 500	67 500	67 500
Additional services	11 968	7 867	3 803	298
Legacy claim	28 620	9 540	9 540	9 540
Total	243 088	84 907	80 843	77 338

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

Disclosure	Note	2008/09	2007/08
		R'000	R'000
Contract fee received		(135 000)	(129 934)
Unitary fee portion paid to the Department by the:			
- Unemployment Insurance Fund		(67 500)	(64 967)
- Compensation Fund		(67 500)	(64 967)
Contract fee paid		219 701	195 262
Fixed component (Note 1)		202 500	183 999
Variable component		9 540	-
Scalability adjustment in respect of previous years		-	10 902
Refund of expenditure		(206)	-
Additional services		7 867	361
Current expenditure		-	10 295
Compensation of employees		-	-
Goods and services (excluding lease payments)		-	10 295
Operating lease (Note 2)		-	-
Finance lease (Note 2)		-	-
Interest		-	-
Capital/ (Liabilities)		-	-
Tangible rights		-	-
Intangible rights (Note 2)		-	-
Property		-	-
Plant and equipment (Note 2)		-	-
Loans		-	-
Other		-	-
Prepayments and advances		-	-
Pre-production obligations		-	-
Other obligations		-	-
Total		84 701	75 623

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

Note 2: Refer additional disclosure note below.

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

Additional disclosure

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

Certain aspects and disclosures relating to some forms of service concession arrangements are already addressed by existing standards and some aspects of service concessions are not addressed. The disclosures required in terms of AC 429 (SIC29) Service Concession Arrangements Disclosures have been provided above and the disclosures in terms of GRAP 13 Leases are disclosed below to provide additional disclosure.

The following disclosures are made that indicate the potential effect on the Annual Financial Statements of the Department, should the Public Private Partnership Agreement be recognised in the Financial Statements as a finance lease.

Notes 28 and 29 of the Annual Financial Statements – Tangible and intangible capital assets

Notes 28 and 29 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 2009

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	Cost	Cost	Cost	Cost	Cost
Tangible assets					
Computer equipment					
- Legacy assets (Note 1)	-	-	-	-	-
- Other assets (Note 2)	125 851	-	9 439	(373)	134 917
Intangible assets					
Software development and enhancements (Note 3)	58 557	-	9 455	-	68 012
Total tangible and intangible assets	184 408	-	18 894	(373)	202 929

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	Cost	Cost	Cost	Cost
	R'000	R'000	R'000	R'000	R'000
Tangible assets					
Computer equipment					
- Legacy assets (Note 1)	-	-	-	-	-
- Other assets (Note 2)	115 273	-	10 578	-	125 851
Intangible assets					
Software development and enhancements (Note 3)	51 918	-	6 639	-	58 557
Total tangible and intangible assets	167 191	-	17 217	-	184 408

Note 1: Legacy assets means computer hardware used by the Department prior to the effective date of the PPP Agreement, the beneficial use of, control and risks in respect of which was transferred to the private partner. Due to the fact that the Annual Financial Statements have been prepared on a modified cash basis of accounting, all legacy assets were expensed in the Statement of Financial Performance when the final authorisation for payment was effected, thus prior to December 2002. The opening balance is therefore 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 3 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 amortisation 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 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 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 4: During the year, updated asset information was received from Siemens. This information has had an impact on prior year disclosure and the effect of this has been incorporated in the the prior year disclosures on the Physical Asset movement schedule above as well as the prior year disclosures that follow.

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

Note 5: Annual Financial Statements Goods and Services

Note 5 of the Annual Financial Statement would require the following additions in respect of the PPP Agreement:

	2008/09	2007/08
	R'000	R'000
Computer Services	201 267	188 690

Note 21 of the Annual Financial Statements - Finance Leases

Note 21.1 of the Annual Financial Statements would require the following additions in respect of the PPP Agreement.

Public Private Partnership Agreement in respect of information technology:

	Total 2008/09	Total 2007/08
	R'000	R'000
For the current financial year	13 200	17 598
Not later than 1 year	22 992	13 200
Later than 1 year and not later than 5 years	120 226	143 217
Later than five years	-	-
Present value of lease liabilities (deemed entered into as at year end)	9 868	12 986

Note: The above includes only tangible assets.

The above disclosures (in respect of Note 5 and 21.2) 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	Computer Services
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
1 December 2003 to 31 March 2003	4	40 833	-	40 833	-	-	-	40 833
1 April 2003 to 31 March 2004	12	125 463	36 807	162 270	34 184	12 871	2 381	149 399
1 April 2004 to 31 March 2005	12	136 963	22 646	159 609	44 976	29 804	4 633	129 805
1 April 2005 to 31 March 2006	12	160 211	14 131	174 342	20 459	37 509	3 948	136 833

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

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	Computer Services
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
1 April 2006 to 31 March 2007	12	158 421	21 989	180 410	15 654	30 532	2 710	149 878
1 April 2007 to 31 March 2008	12	194 901	11 387	206 288	10 578	17 598	1 779	188 690
1 April 2008 to 31 March 2009	12	202 500	11 967	214 467	8 692	13 200	1 390	201 267
1 April 2009 to 31 March 2010	12	202 500	-	202 500	41 242	22 992	3 713	179 508
1 April 2010 to 31 March 2011	12	202 500	-	202 500	34 548	33 569	4 681	168 931
1 April 2011 to 31 March 2012	12	202 500	-	202 500	34 943	52 876	4 439	149 624
1 April 2012 to 31 March 2013	8	135 000	-	135 000	8 698	33 780	1 085	101 220
Total	120	1 761 792	118 927	1 880 719	253 974	284 731	30 759	1 595 988

The unitary fee for years subsequent to 31 March 2009 has not been adjusted for inflation after 31 March 2009 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 2009 for computer equipment. All subsequent years are based on the planned expenditure by the private partner in respect of tangible assets.

"Deemed" lease payments have been calculated based on the capital expenditure, the weighted average government borrowing rate (being 8,775%), 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.

"Computer Services" relating to the PPP has been calculated as the unitary fee plus the additional service fee less the calculated "deemed" lease payments.

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

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

	Total 2008/09 R'000	Total 2007/08 R'000
Total Computer Services in respect of the PPP (additional disclosure in respect of Note 5)	201 267	188 690
Allocated to the Department of Labour	62 167	47 730
Allocated to Unemployment Insurance Fund	71 302	75 190
Allocated to Compensation Fund	67 798	65 770
“Deemed” finance lease payments by the Department of Labour (additional disclosure in respect of Note 21.2)	13 200	17 598
Total payments to the private partner	<u>214 467</u>	<u>206 288</u>
Payments allocated to the Department of Labour as per the Statement of Financial Performance		
“Deemed” finance lease payments	13 200	17 598
Computer Services	62 167	47 730
Total payments by the Department of Labour (included in Note 5)	<u>75 367</u>	<u>65 328</u>

27. Provisions

	2008/09 R'000	2007/08 R'000
Potential irrecoverable debts		
Private enterprises	94	-
Staff debtors	7 492	8 853
Other debtors	1 932	87
Claims recoverable	-	531
Total	<u>9 518</u>	<u>9 471</u>

28. Movable tangible capital assets

Movement in movable tangible capital assets per asset register for the year ended 31 March 2009

	Opening balance R'000	Current year adjustments to prior year balances R'000	Additions R'000	Disposals R'000	Closing balance R'000
Machinery and equipment	106 325	6 498	18 722	(20 995)	110 550
Transport assets	9 857	2 618	-	-	12 475
Computer equipment	31 109	(3 579)	1 790	(12 863)	16 457
Furniture and office equipment	34 222	2 776	10 930	(6 617)	41 311
Other machinery and equipment	31 137	4 683	6 002	(1 515)	40 307
Total movable tangible capital assets	<u>106 325</u>	<u>6 498</u>	<u>18 722</u>	<u>(20 995)</u>	<u>110 550</u>

28.1 Additions

Additions to movable tangible capital assets per asset register for the year ended 31 March 2009

	Cash	Non-cash	(Capital work in progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Machinery and equipment	8 756	9 754	-	212	18 722
Computer equipment	6	1 746	-	38	1 790
Furniture and office equipment	6 492	4 316	-	122	10 930
Other machinery and equipment	2 258	3 692	-	52	6 002
Total additions to movable tangible capital assets	8 756	9 754	-	212	18 722

28.2 Disposals

Disposals of movable tangible capital assets per asset register for the year ended 31 March 2009

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
Machinery and equipment	-	20 995	20 995	-
Computer equipment	-	12 863	12 863	-
Furniture and office equipment	-	6 617	6 617	-
Other machinery and equipment	-	1 515	1 515	-
Total disposal of movable tangible capital assets	-	20 995	20 995	-

28.3 Movement for 2007/08

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

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Machinery and equipment	103 131	5 378	(2 184)	106 325
Transport assets	9 857	-	-	9 857
Computer equipment	31 234	88	(213)	31 109
Furniture and office equipment	32 392	3 099	(1 269)	34 222
Other machinery and equipment	29 648	2 191	(702)	31 137
Total movable tangible assets	103 131	5 378	(2 184)	106 325

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

28.4 Minor assets

Minor assets of the department for the year ended 31 March 2009

	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Minor assets	-	-	82 177	-	82 177
Total	-	-	82 177	-	82 177
Number of minor assets	-	-	101 258	-	101 258
Total	-	-	101 258	-	101 258

29. Intangible capital assets

Movement in intangible capital assets per asset register for the year ended 31 March 2009

	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	7 028	-	-	6 998	30
Services and operating rights	23	-	-	-	23
Other intangibles	71	-	-	71	-
Total intangible capital assets	7 122	-	-	7 069	53

29.1 Additions

Additions to intangible capital assets per asset register for the year ended 31 March 2009

	Cash	Non-Cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Computer software	-	-	-	-	-
Other intangibles	-	-	-	-	-
Total additions to intangible capital assets	-	-	-	-	-

29.2 Disposals

Disposals of intangible capital assets per asset register for the year ended 31 March 2009

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
Computer software	-	6 998	6 998	-
Other intangibles	-	71	71	-
Total disposals of intangible capital assets	-	7 069	7 069	-

29.2 Movement for 2007/08

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

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Computer software	7 028	-	-	7 028
Services and operating rights	23	-	-	23
Other intangibles	71	-	-	71
Total	7 122	-	-	7 122

30. Immovable tangible capital assets

Movement in immovable tangible capital assets per asset register for the year ended 31 March 2009

	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
Buildings and other fixed structures	23 203	(1 729)	3 367	-	24 841
Non-residential buildings	23 203	(1 729)	3 367	-	24 841
Total immovable tangible capital assets	23 203	(1 729)	3 367	-	24 841 *

* An amount of R24 009 was budgeted and paid by this Department for capital projects on buildings owned by the Department of Public Works

30.1 Additions

Additions to immovable tangible capital assets per asset register for the year ended 31 March 2009

	Cash	Non-Cash	Capital work in progress current costs and finance lease payments)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Building and other fixed structures	-	-	-	-	-
Non-residential buildings	3 367	-	-	-	3 367
Total additions to immovable tangible capital assets	3 367	-	-	-	3 367

30.2 Disposals

Disposals of immovable tangible capital assets per asset register for the year ended 31 March 2009

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
Buildings and other fixed structures	-	-	-	-
Non-residential buildings	-	-	-	-
Total disposals of immovable tangible capital assets	-	-	-	-

Department of Labour - Vote 15

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2009

30.3 Movement for 2007/08

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

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Buildings and other fixed structures	16 943	6 260	-	23 203
Non-residential buildings	16 943	6 260	-	23 203
Total immovable tangible assets	16 943	6 260	-	23 203

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

Department/ Agency/ Account	Transfer allocation				Transfer		2007/08
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Compensation Fund	10 500	-	-	10 500	6 366	61%	10 000
Unemployment Insurance Fund	1	-	-	1	-	-	1
Commission for Conciliation, Mediation and Arbitration	261 710	-	-	261 710	261 710	100%	270 646
Productivity South Africa	28 138	-	13 000	41 138	41 138	100%	26 637
National Skills Fund	46 949	-	-	46 949	46 949	100%	44 799
Strength Civil Soc Lab Reb Trans {Development Institute for Training, Support and Education for Labour (DITSELA)}	13 373	-	2 530	15 903	15 903	100%	9 919
National Economic Development and Labour Council (NEDLAC)	13 959	-	-	13 959	13 959	100%	13 348
Statutory:							
Sector Education and Training Authorities	6 023 680	-	(236 372)	5 787 308	5 787 308	100%	5 027 445
National Skills Fund (20%)	1 505 920	-	(59 093)	1 446 827	1 446 827	100%	1 256 861
Total	7 904 230	-	(279 935)	7 624 295	7 620 160		6 659 656

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

Name of public corporation/private enterprise	Transfer allocation				Expenditure				2007/08
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of Available funds transferred	Capital	Current	Appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public corporations									
Umsobomvu Youth Fund	5 080	-	-	5 080	5 080	100.0	-	-	400 000
Total	5 080	-	-	5 080	5 080		-	-	400 000

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2009

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

Foreign governments/ international organisations	Transfer allocation				Transfer		2007/08
	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
Transfers							
International Labour Organisation	7 150	-	2 627	9 777	9 777	100%	7 000
African Regional Labour Adm. Centre	539	-	61	600	600	100%	480
World Association of Public Employment Services	-	-	-	-	-		140
Total	7 689	-	2 688	10 377	10 377		7 620

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

Non-profit institutions	Transfer allocation				Transfer		2007/08
	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
Transfers							
SA National Council for the Blind	249	-	-	249	237	95%	237
Deaf Federation of South Africa	163	-	-	163	105	64%	155
National Council for the Physical Disabled	200	-	-	200	159	80%	191
Workcentres for people with disabilities	95 411	-	-	95 411	95 411	100%	38 808
Workcentres for the blind	7 365	-	-	7 365	7 365	100%	7 042
Total	103 388	-	-	103 388	103 277		46 433

Annexure 1E
Statement of transfers to households

Households	Transfer allocation				Expenditure		2007/08
	Adjusted appropriation act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Appropriation act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Leave gratuity	311	-	740	1 051	1 051	100%	3 345
Retirement benefits	179	-	-	179	179	100%	-
Severance package	444	-	1 759	2 203	2 203	100%	-
Total	934	-	2 499	3 433	3 433		3 345

Annexure 1F
Statement of gifts, donations and sponsorships made and remissions, refunds and payments made as an act of grace

Nature of gift, donation or sponsorship	2008/09	2007/08
	R'000	R'000
Households	62	-
Public corporations	644	-
Non-profit institutions	500	-
Total	1 206	-

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2009

Annexure 2A**Statement of financial guarantees issued as at 31 March 2009 – local**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2008	Adjustment to opening balance	Guarantees draw-downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Closing balance 31 March 2009	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	-	-	(63)	191	-
	Housing							
Standard Bank of SA Limited	Housing loan guarantee	1 934	1 934	(63)	18	(163)	1 726	-
Nedbank Limited (former Cape of Good Hope)	Housing loan guarantee	15	15	-	-	-	15	-
Nedbank Limited	Housing loan guarantee	1 688	1 688	(77)	-	(118)	1 493	-
Firststrand Bank Limited: FNB	Housing loan guarantee	1 712	1 712	(48)	-	(153)	1 511	-
Nedbank LTD Incorporating BOE	Housing loan guarantee	9	9	-	-	-	9	-
ABSA	Housing loan guarantee	3 391	3 391	(91)	74	(181)	3 193	-
Company Unique Finance (PTY)	Housing loan guarantee	198	198	-	-	(19)	179	-
Old Mutual Finance Limited	Housing loan guarantee	68	68	1	30	(19)	80	-
Peoples Bank (former FBC Fidelity Bank)	Housing loan guarantee	394	394	(53)	-	(13)	328	-
Nedbank LTD Incomp. NBS (former Peoples Bank NBS)	Housing loan guarantee	661	661	(11)	-	(59)	591	-
Firststrand Bank Limited: FNB (former Saambou)	Housing loan guarantee	969	969	(16)	33	(95)	891	-
Old Mutual Bank Division of Nedbank (former PERM)	Housing loan guarantee	1 411	1 411	(49)	18	(82)	1 298	-
Future Bank Corporation Limited	Housing loan guarantee	14	14	-	-	-	14	-
Ithala Limited	Housing loan guarantee	43	43	-	-	(28)	15	-
Free State Development Corporation	Housing loan guarantee	113	113	-	-	-	113	-
VBS Mutual Bank	Housing loan guarantee	82	82	(1)	-	(15)	66	-
Mpumalanga Housing Finance Unibank	Housing loan guarantee	43	43	-	-	-	43	-
Albaraka Bank	Housing loan guarantee	11	11	-	-	-	11	-
ABSA Bank (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	33	33	(33)	-	-	-	-
MEEG Bank	Housing loan guarantee	26	26	(1)	-	-	25	-
	Total	13 135	13 135	(442)	173	(1021)	11 845	-

Annexure 2B
Statement of contingent liabilities as at 31 March 2009

Nature of liability	Opening balance	Liabilities	Liabilities	Liabilities	Closing balance
	01/04/2008	incurred during the year	paid/cancelled/ reduced during the year	recoverable	31/03/2009
	R'000	R'000	R'000	R'000	R'000
Claims against the Department					
Industry Training Board (446/07/99/MT)	476	-	-	-	476
W Kruger (11/10/2002/MT)	8	-	-	-	8
Casino National Training (794/09/00/MT)	385	-	-	-	385
C J de Vries (12/5/1/18/LM)	1	-	-	-	1
Local News Network (Pty) Ltd (12/2/1/55/ZB)	4	-	-	-	4
Fernhill Hotel (12/1/5/317/NR) hfkdsh	20	-	-	-	20
D Ntombela (12/1/5/318/NR)	25	-	-	-	25
SASA WU : NP Gwazela Case P53/06 (SM/PSG 925 – 04/05)	-	530	-	-	530
Dian Uys Brink (12/5/1/313/BT)	-	1 412	-	-	1 412
Total	919	1 942	-	-	2 861

Department of Labour - Vote 15

Annexures to the Annual Financial Statements for the year ended 31 March 2009

Annexure 3
Claims recoverable

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Correctional Services	68	42	-	-	68	42
Agriculture	80	95	-	-	80	95
Education	157	23	-	-	157	23
Foreign Affairs	87	6	966	-	1 053	6
Health	168	74	-	-	168	74
Public Works	157	87	-	-	157	87
Traditional and Local Government Affairs	12	13	-	-	12	13
Gauteng Shared Services	27	12	-	-	27	12
KwaZulu-Natal Provincial Government	33	33	-	-	33	33
Social Development	47	29	-	-	47	29
Justice and Constitutional Development	57	17	-	-	57	17
Communications	17	-	-	-	17	-
The Presidency	63	24	-	-	63	24
Home Affairs	17	6	-	-	17	6
Transport	23	16	-	-	23	16
Water Affairs and Forestry	72	34	-	-	72	34
National Treasury	28	13	-	-	28	13
Minerals and Energy	21	12	-	-	21	12
Safety and Security	9	5	-	-	9	5
Provincial Local Government	-	21	-	-	-	21
Economic Development	21	-	-	-	21	-
Department						
Statistics South Africa	29	-	-	-	29	-
Welfare and Population Development	29	-	-	-	29	-
Housing	33	-	-	-	33	-
Public Service Commission	39	-	-	-	39	-
KZN Office of the Premier	9	-	-	-	9	-
Other government entities						
Compensation Fund	16 182	51 273	-	-	16 182	51 273
National Skills Fund (NSF)	5 646	8 406	-	-	5 646	8 406
Unemployment Insurance Fund	15 420	-	-	-	15 420	-
Government Employees Pension Fund (GEPF)	49	-	-	-	49	-
South African Social Security Agency	34	-	-	-	34	-
Private enterprises						
Companies and Intellectual Properties Registration	21	-	-	-	21	-
Siemens	22	-	-	-	22	-
Total	38 677	60 241	966	-	39 643	60 241

Annexure 4
Inter-government payables

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	R'000	R'000	R'000	R'000	R'000	R'000
Departments						
Current						
Justice	-	-	82	408	82	408
Communications	-	964	-	-	-	964
Compensation Fund	118	1	-	-	118	1
Public Works	-	-	12 846	-	12 846	-
Provincial Treasury	-	-	42	-	42	-
Public Administration	-	-	354	-	354	-
Total	118	965	13 324	408	13 442	1 373

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009

Content	Page
Report of the Auditor-General	164
Statement of Responsibility by the Accounting Officer	171
Report of the Accounting Officer	172
Balance Sheet	175
Income Statement	176
Statement of Changes in Equity	177
Cash Flow Statement	178
Accounting Policies	179
Notes to the Annual Financial Statements	189
The following supplementary information does not form part of the Annual Financial Statements and is unaudited:	
Detailed Income Statement	197

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF SHELTERED EMPLOYMENT FACTORIES FOR THE YEAR ENDED 31 MARCH 2009

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 2009, 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, as set out on pages 171 to 197.

The accounting officer's responsibility for the financial statements

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

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, (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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Inventory

7. Inventories are carried in the balance sheet at R15.8 million. Included in this amount is direct labour and manufacturing overhead costs of R1.5 million which were allocated to work in progress and finished goods for wood and metal products using an historic allocation rate as the basis. I was not able to obtain any evidence on the assumptions used to calculate the allocation rate and was thus unable to evaluate these assumptions to be able to determine the accuracy of the calculations. The Sheltered Employment Factories' records did not permit the application of adequate alternative procedures regarding this inventory. Consequently, I did not obtain

Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2009

sufficient appropriate audit evidence to satisfy myself as to the valuation of wood and metal work in progress and finished goods.

Qualified opinion

8. In my opinion, except for the possible 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 Sheltered Employment Factories as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with South African statements of Generally Accepted Accounting Practice and in the manner required by the PFMA.

Emphasis of matter(s)

I draw attention to the following matters, on which I do not express a qualified opinion:

Irregular expenditure

9. As disclosed in note 26 to the financial statements, irregular expenditure to the amount of R3 702 440 was incurred, due to non-adherence to practice note number SCM 1 of 2003, issued by National Treasury which requires a tax clearance certificate to be obtained as part of the standard bid documents when awarding contracts.

Fruitless and wasteful expenditure

10. As disclosed in note 27 to the financial statements, Sheltered Employment Factories incurred fruitless and wasteful expenditure amounting to R278 514 on cellphone contracts and storage costs.

Other matters

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

Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

12. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the trading entity 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 deficiencies 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. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
6	Inventory	1	1,3	3	1,2	3

13. The historic allocation of overheads to finished goods and work in progress is characterised by the inadequate organisational structure resulting in significant risk not being identified to

Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2009

enhance the achievement of financial reporting objectives. The entity does not have individuals competent in financial reporting and related oversight roles. The accounting policies are aligned to National Treasury guidelines and not to the accounting framework. Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to enable reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5

Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2009

Legend	
CA = Control activities	
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

14. 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 key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 40 of the PFMA)	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	

Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2009

No.	Matter	Y	N
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	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.	✓	
7.	Internal audit	✓	
	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.	✓	✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2.		✓
12.	Powers and duties have been assigned, as set out in section 44 of the PFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.		✓
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Sheltered Employment Factories against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulations 5.1, 5.2 and 6.1.		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2009

15. The entity does not have individuals competent in financial reporting and related oversight roles. The accounting policies are aligned to National Treasury guidelines and not to the accounting framework. Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.

Investigations

16. With reference to note 9 to the financial statements dealing with cheques fraudulently cashed by unknown parties, an investigation was conducted by the South African Police Service. The case was subsequently closed by the South African Police Service without any criminal proceedings being instituted against anyone.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Report on performance information**

17. I have reviewed the performance information as set out on pages 167 to 168.

The accounting officer's responsibility for the performance information

18. 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 Sheltered Employment Factories.

The Auditor-General's responsibility

19. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.
20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Findings on performance information**Non compliance with regulatory requirements****Lack of effective, efficient and transparent systems and internal controls regarding performance management**

22. The accounting officer did not ensure that the Sheltered Employment Factories has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the institution's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organized and managed, as required in terms of section 38(1)(a)(i) and (b) of the PFMA.

Reported performance information not reliable

23. The reported actual achievements of measures could not be substantiated by adequate evidence.

Annual Report

Report of the Auditor-General to Parliament on the Financial Statements of the Sheltered Employment Factories for the year ended 31 March 2009

APPRECIATION

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

Auditor-General

Pretoria
31 July 2009



Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Statement of Responsibility by the Accounting Officer

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

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

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

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

The Financial Statements were approved by the Acting Director-General on 31 May 2009.



Acting Director-General
Date: 31/05/2009

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Report of the Accounting Officer

General review of the state of affairs

The Sheltered Employment Factories (SEF) were established in 1943 to provide employment for people with mental and physical disabilities that prevented them from entering the open labour market due to the nature of their afflictions. Of the 1 044 factory workers currently employed, some 80% are intellectually/mentally/psychologically challenged. The factories are open to all races.

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

There are currently 12 factories across the country in seven provinces. Income for the factories 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 transform and expand direct employment for people with intellectual and multiple disabilities, and to develop as a provider of quality training for people with disabilities to enable and to facilitate their transition into the open labour market.

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 Director-General of Labour is the appointed Accounting Officer.

Auditor

The Auditor-General will continue as auditor of the Sheltered Employment Factories.

Going concern

Sheltered Employment Factories is an entity that is a going concern and has continued to adopt the going concern basis in preparing the Financial Statements.

Events subsequent to balance sheet date

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

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Report of the Accounting Officer

Scopa resolutions

Reference to previous audit report and SCOPA resolutions	Subject	Findings/progress
SCOPA report	Supply Chain Management	
	<ul style="list-style-type: none"> ● No competitive bids 	<p>The practice of obtaining competitive quotes from known suppliers has been in place for many years.</p> <p>It needs to be noted however that there are limited suppliers of major raw materials such as locally produced fabric that meets SABS certification for hospital linen, and saligna wood for school furniture.</p> <p>There is a supplier database in place. To ensure that the supplier data base is complete, a detailed set of specifications has been compiled for all major raw materials. Approval to advertise these in the Government Tender Bulletin is being sought through the Department's Subtender Committee.</p> <p>Respondents to the advertisements will then be evaluated by the Departmental Bid Adjudication Committee and approved suppliers added to the existing supplier data base.</p>
	<ul style="list-style-type: none"> ● No valid transport contract 	<p>Transport issues have been resolved and courier services are being utilised in terms of the State Contract arranged by National Treasury. In cases where courier services are not utilised, transport services are procured on a 3-quote basis by making use of the database of service providers.</p>
SCOPA report	Misstatement of fixed assets	
	<ul style="list-style-type: none"> ● Availability of skilled staff 	<p>The project to restructure the factories is progressing well with assistance from the Technical Assistance Unit of the National Treasury.</p> <p>Population of organisation structures will be progressed when the transformation plan is approved.</p>
	<ul style="list-style-type: none"> ● Impairment of redundant assets 	<p>The SEF is now fully compliant with SA GAAP.</p> <p>Redundant/obsolete fixed assets have been identified and provisions made in the Annual Financial Statements for impairment.</p> <p>A depreciation policy was developed in March 2007 and supported by the SEF Management Committee on 23 January 2009. The policy is being applied and asset values are correctly reported in the Annual Financial Statements.</p>

Annual Report

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Report of the Accounting Officer

Approval

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



S Morotoba
Acting Director-General of Labour

Date: 31 May 2009

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Balance Sheet

	Notes	2008/09 R'000	2007/08 R'000
Assets			
Non-current assets			
Property, plant and equipment	4	8 847	10 052
Intangible assets	5	3	10
Leased assets – office equipment	7	215	372
		<u>9 065</u>	<u>10 434</u>
Current assets			
Inventories	8	15 804	18 759
Trade and other receivables	9	7 509	8 815
Pre-payments for licenses		39	-
Cash and cash equivalents	10	21 722	248
		<u>45 074</u>	<u>27 822</u>
		<u>54 139</u>	<u>38 256</u>
Total assets			
Equity and liabilities			
Equity			
Accumulated funds		<u>23 687</u>	<u>21 056</u>
Liabilities			
Non-current liabilities			
Finance lease liabilities	11	128	310
Employee benefits	13	2 113	1 933
Medical aid benefit	14	270	299
		<u>2 511</u>	<u>2 542</u>
Current liabilities			
Finance lease liabilities	11	94	88
Trade and other payables	15	6 617	14 570
Deferred income	12	21 230	-
		<u>27 941</u>	<u>14 658</u>
Total Liabilities		<u>30 452</u>	<u>17 200</u>
Total equity and liabilities		<u>54 139</u>	<u>38 256</u>

Sheltered Employment Factories Annual Financial Statements for the year ended 31 March 2009 Income Statement

	Notes	2008/09	2007/08
		R'000	R'000
Revenue	16	56 974	38 970
Cost of sales		<u>(89 877)</u>	<u>(81 702)</u>
Gross deficit		(32 903)	(42 732)
Other income	17	56 915	38 831
Operating expenses		<u>(21 522)</u>	<u>(22 332)</u>
Operating surplus (deficit)	18	2 490	(26 233)
Finance income	19	183	129
Finance costs	20	(42)	(54)
Net surplus (deficit) for the year		<u><u>2 631</u></u>	<u><u>(26 158)</u></u>

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Statement of Changes in Equity

Notes	2008/09 Accumulated funds	2007/08 Total
	R'000	R'000
Balance at 1 April 2007	47 214	47 214
Changes in equity	(26 158)	(26 158)
Deficit for the year		
	(26 158)	(26 158)
Total changes	21 056	21 027
Opening balance as previously reported		
Adjustments		
Prior period adjustments	-	29
Balance at 1 April 2008 as restated	21 056	21 056
Changes in equity		
Surplus for the year	2 631	2 631
Total changes	2 631	2 631
Balance at 31 March 2009	23 687	23 687

Sheltered Employment Factories
Annual Financial Statements for the year ended 31 March 2009
Cash Flow Statement

	Notes	2008/09	2007/08
		R'000	R'000
Cash flow from operating activities			
Cash receipts from customers		58 448	41 663
Cash paid to suppliers and employees		(115 143)	(91 409)
Cash utilised in operations	21	(56 695)	(49 746)
Interest income		183	129
Parliamentary allocation and finance charges	22	78 065	38 764
Net cash from operating activities		21 553	(10 853)
Cash flow from investing activities			
Purchase of property, plant and equipment	4	(229)	(263)
Sale of property, plant and equipment		1	3
Sale of leased assets – office equipment		157	-
Net cash flow from investing activities		(71)	(260)
Cash flow from financing activities			
Movement in finance lease liability		139	142
Movement in medical aid benefit		(29)	299
Finance lease payments		(118)	(88)
Net cash from financing activities		(8)	353
Total cash movement for the year		21 474	(10 760)
Cash at the beginning of the year		248	11 008
Total cash at end of the year	10	21 722	248

Sheltered Employment Factories
Accounting Policies for the year ended 31 March 2009

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The Annual Financial Statements have been prepared on the historical cost basis, except for financial instruments at fair value and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that effect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value.

Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation profit note.

Inventory

Work in progress is valued, based on the stage of completion of goods, adding a percentage to the direct costs to account for overheads. These percentages range from 8.7% (2008: 8.7%) to 120% (2008: 120%) of the direct costs. The total costs are considered to be less than the net realisable value of inventory.

1.2 Property, plant and equipment

The cost of an item of plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Sheltered Employment Factories Accounting Policies for the year ended 31 March 2009

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Plant and machinery	10 to 15 years
Furniture and fixtures	10 to 15 years
Office equipment	8 to 10 years
IT equipment	3 years
Appliances	5 to 8 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation is calculated on the straight line method over the useful lives of the assets.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

1.3 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.4 Financial instruments

Initial recognition and measurement

Financial instruments comprise of receivables, payables and cash and cash equivalents. The entity does not have any derivatives.

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, or initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Sheltered Employment Factories
Accounting Policies for the year ended 31 March 2009

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised costs are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each balance sheet date the entity assesses all financial assets, other those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Income Statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Tax

Income tax

Provision has not been made for taxation as the entity is exempt from income tax.

1.6 Leases

A lease is classified as a finance charge if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised initially as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Leased assets are depreciated over the useful life of the asset or over the lease term, whichever is the shorter.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Sheltered Employment Factories
Accounting Policies for the year ended 31 March 2009

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision for obsolete stock is determined at 100% of the value of inventories that have not been used in production or sold for a period longer than 12 months.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period which the reversal occurs.

1.8 Impairment of assets

The entity assesses at each balance sheet date whether there is any indication that an asset may be impaired. If no such indication exists, the entity estimates the recoverable amount of the asset.

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The entity determines the value in use of an asset by discounting the future cash flow values expected to be derived from the asset or cash generating unit.

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

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

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

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absence is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payment made to the State-managed Retirement Benefit Scheme are dealt with as defined contribution plans where the obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan. The SEF are also liable for other post retirement benefits, such as accumulated leave and medical benefits, to which workers become entitled to at retirement.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value and are calculated by management.

1.10 Government grants

Government grants are recognised as part of income when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Grants related to income are presented as a credit in the Income Statements (separately)

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Sheltered Employment Factories
Accounting Policies for the year ended 31 March 2009

1.11 Revenue from the sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.12 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services and manufacturing of goods is recognised as revenue in the current period is included in cost of sales.

1.13 Deferred income

Government grants related to assets are presented in the balance sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.14 Related parties

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

1.15 Finance income

Interest income and expenses are recognised, in profit or loss, using the effective interest rate method.

When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective

IAS 1 (AC 101) (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity in a single statement of comprehensive income or in an income statement and statement of comprehensive income
- Require the presentation of a balance sheet at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows'. These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The company expects to adopt the standard for the first time in the 2010 Annual Financial Statements.

May 2008 annual improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity expects to adopt the amendment for the first time in the 2010 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the company's Annual Financial Statements.

May 2008 annual improvements to IFRS's: Amendments to IAS 1 (AC 101) Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity expects to adopt the amendment for the first time in the 2010 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the company's Annual Financial Statements.

Sheltered Employment Factories
Accounting Policies for the year ended 31 March 2009

**May 2008 Annual improvements to IFRS's: Amendments to IAS 8 (AC 103)
Accounting Policies Changes in Accounting Estimates and Errors**

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity expects to adopt amendment for the first time in the 2010 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the company's Annual Financial Statements.

**May 2008 annual improvements to IFRS's: Amendments to IAS 16 (AC 123)
Property, Plant and Equipment**

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity expects to adopt the amendment for the first time in the 2010 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the entity's Annual Financial Statements.

2.2 Standard and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant to its operations:

IAS 23 (AC 114) (Revised) Borrowing Costs

The revision 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. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's Annual Financial Statements.

May 2008 annual improvements to IFRS's: Amendments to IAS 23 (AC 114) Borrowing Costs (as revised in 2007)

The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39 (AC 133) Financial Instruments: Recognition and measurement on the effective interest rate.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The entity does not envisage the adoption of the standard until such time as it becomes applicable

to the entity's operations.

It is unlikely that the amendment will have a material impact on the entity's Annual Financial Statements.

3. Risk management

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the SEF are largely dependent on funding from the Department of Labour through Parliamentary allocations, based on an approved budget submitted to the Department of Labour.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposit, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade debtors mainly consist of government departments of which surety vests in the National Treasury for any such debts owing. Other debtors comprise private sector trade debtor and staff debtors.

Interest rate risk

The entity manages its exposure to interest rate in line with movements in market rates.

Sheltered Employment Factories
Notes to the Annual Financial Statements for the year ended 31 March 2009

4. Property, plant and equipment

	2008/09			2007/08		
	Cost /valuation	Accumulated depreciation	Carrying value	Cost /valuation	Accumulated depreciation	Carrying value
Plant and machinery	14 464	(6 488)	7 976	16 276	(7 397)	8 879
Furniture and fixtures	735	(355)	380	730	(303)	427
Office equipment	465	(236)	229	501	(228)	273
IT equipment	1 504	(1 270)	234	1 705	(1 260)	445
Appliances	74	(46)	28	63	(35)	28
Total	17 242	(8 395)	8 847	19 275	(9 223)	10 052

Reconciliation of property, plant and equipment – 2008/09

	Opening balance	Additions	Depreciation	Total
Plant and machinery	8 879	157	(1 060)	7 976
Furniture and fixtures	427	5	(52)	380
Office equipment	273	6	(50)	229
IT equipment	445	50	(261)	234
Appliances	28	11	(11)	28
	10 052	229	(1 434)	8 847

Reconciliation of property, plant and equipment – 2007/08

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Plant and machinery	11 248	167	(1)	(1 332)	(1 203)	8 879
Furniture and fixtures	465	21	-	(59)	-	427
Office equipment	336	18	-	(60)	(21)	273
IT equipment	778	40	(1)	(368)	(4)	445
Appliances	24	17	(1)	(12)	-	28
	12 851	263	(3)	(1 831)	(1 228)	10 052

5. Intangible assets

	2008/09			2007/08		
	Cost /valuation	Accumulated depreciation	Carrying value	Cost /valuation	Accumulated depreciation	Carrying value
Computer software	-	3	3	-	10	10

Reconciliation of intangible assets – 2008/09

	Opening balance	Amortisation	Total
Computer software	10	(7)	3

Reconciliation of intangible assets – 2007/08

	Opening balance	Amortisation	Total
Computer software	20	(10)	10

Sheltered Employment Factories

Notes to the Annual Financial Statements for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
6. Retirement benefits		
Defined contribution plan		
The SEF contributes in part to the Temporary Employment Pension Fund (TEPF) for the benefit of employees. There are 120 employees (consisting of administrative staff and factory instructors) who are members of the TEPF. SEF contributes 2.75% in every Rand contributed by the employees toward the Fund.		
The entity is under no obligation to cover any unfunded benefits.		
Contributions for the year included in staff costs	1 444	1 500

7. Leased assets – office equipment

Year ended 31 March 2008

Leased assets	
- cost	639
- accumulated depreciation	(267)
Carrying value	372

Reconciliation of leased assets 31 March 2008

Opening balance	330
Additions	142
Disposals	(2)
Depreciation	(98)
Total	372

Year ended 31 March 2009

Leased assets	
- cost	573
- accumulated depreciation	(358)
Carrying value	215

Reconciliation of leased assets 31 March 2009

Opening balance	372
Additions	21
Disposals	(3)
Depreciation	(175)
Total	215

Leased assets are encumbered by finance lease liabilities. (Refer note 11)

	2008/09	2007/08
	R'000	R'000
8. Inventories		
Raw materials, components	12 029	16 471
Work in progress	1 085	1 911
Finished goods	4 097	4 665
	17 211	23 047
Inventories write-downs (included as part of cost of sales)	(1 407)	(4 288)
	15 804	18 759

Sheltered Employment Factories
Notes to the Annual Financial Statements for the year ended 31 March 2009

9. Trade and other receivables

	2008/09	2007/08
	R'000	R'000
Trade receivables	6 748	8 103
Employee cists in advance	18	3
VAT	143	134
Unpaid cheques	599	570
Sundry debtors	1	5
	<u>7 509</u>	<u>8 815</u>

As of 31/03/2009, trade receivables of R 11.6 million (2007/08: R14.25 million) were impaired and provided for. The movement has been included as part of operating expenses – provision for credit losses in the Income Statement.

Included in accounts receivable are unpaid cheques amounting to R 598 518 (2007/08: 570 209) that are not recoverable due to unknown parties fraudulently intercepting and cashing cheques from SEF debtors.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2009, R 2.69 million (2008: R2.29 million) were past due but not impaired.

The ageing of amounts past due and impaired is as follows:

1 month past due	1 647	1 507
2 months past due	372	672
3 months past due	670	106
Impaired	11 600	14 250
	<u>14 289</u>	<u>16 535</u>

10. Cash and cash equivalents**Cash and cash equivalents consist of:**

Cash on hand	23	23
Bank balances	21 699	225
	<u>21 722</u>	<u>248</u>

A parliamentary allocation amounting to R21 230 million was received by the Sheltered Employment Factories during the year. These funds are earmarked for the projects listed below and cannot be used for any other operational purpose:

- Business case project	3 316
- Establishment of provident fund for SEF and other special projects	6 433
- Repairs and maintenance project	11 481

Sheltered Employment Factories Notes to the Annual Financial Statements for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
11. Finance lease obligation		
Minimum lease payments due		
-within one year	135	123
-in second to fifth year inclusive	225	285
	<u>360</u>	<u>408</u>
Less: future finance charges	(60)	(78)
Present value of minimum lease payments	<u>300</u>	<u>330</u>
 Present value of minimum lease payments due		
-within one year	104	88
-in second to fifth year inclusive	196	242
	<u>300</u>	<u>330</u>
 Non-current liabilities	128	310
Current liabilities	94	88
	<u>222</u>	<u>398</u>

It is entity policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 12% (2008: 14%).

Interest rates are linked to prime at the contract date. Some lease agreement have fixed repayments while others have a 15% escalation clause.

12. Deferred income

The following amounts were received from the Department of Labour:

Non-current liabilities	-	-
Current liabilities	21 230	-
	<u>21 230</u>	<u>-</u>

These funds should be applied as follows and cannot be used for any other purpose:

- Business case project	3 316
- Establishment of provident fund for SEF and other special projects	6 433
- Repairs and maintenance project	11 481

13. Employee benefits

Accrued leave pay	2 113	1 933
-------------------	-------	-------

14. Medical aid benefit

Medical aid expenditure	270	299
-------------------------	-----	-----

This liability relates to medical expenses covered by the SEF on behalf of its employees, limited to the employee contributions. The entity is under no obligation to cover any unfunded benefits relating to medical expenses incurred by the employees.

Sheltered Employment Factories
Notes to the Annual Financial Statements for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
15. Trade and other payables	4 549	13 444
Trade payables	136	318
Amounts received in advance	3	16
Unallocated receipts from debtors	268	427
Fair value estimate for unpaid cheque control	661	250
Trade accruals	990	99
Accruals	10	16
Outstanding cheques	<u>6 617</u>	<u>14 570</u>
The carrying values stated above approximate fair values for those items that are highly liquid.		
16. Revenue		
Sale of goods	<u>55 974</u>	38 970
17. Other income		
Commission received	27	21
Parliamentary allocation	56 887	38 808
Profit and loss on sale of assets and liabilities	1	2
	<u>56 915</u>	<u>38 831</u>
18. Operating surplus (deficit)		
Operating surplus / deficit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
- Contractual amounts	199	199
Profit on sale of property, plant and equipment	1	2
Impairment on property, plant and equipment	-	1 228
Depreciation on property, plant and equipment	1 550	1 960
Employee costs	55 060	50 396
Auditor's remuneration	1 894	1 899
Impairment loss/ (reversal of impairment)	<u>2 653</u>	<u>(1 578)</u>
Expenses by nature		
Employee benefit expense	(55 060)	50 396
Depreciation, amortization and impairment charges	(1 550)	(3 188)
Transportation expenses	(6 772)	(7 545)
Advertising costs	(61)	(75)
Operating lease payments	(199)	(199)
Other expenses	<u>(47 757)</u>	<u>(42 631)</u>
Total cost of sales, distribution costs and administrative expenses	<u>(111 399)</u>	<u>(104 034)</u>

Sheltered Employment Factories

Notes to the Annual Financial Statements for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
19. Finance income		
Interest revenue	27	34
Bank	156	95
Interest charged on trade and other receivables	183	129
20. Finance costs		
Finance leases	42	54
21. Cash used in operations		
Profit (loss) before taxation	2 631	(26 158)
Adjustments for:		
Depreciation and amortisation	1 434	1 831
Profit on sale of assets	(1)	(2)
Interest received	(183)	(129)
Finance costs	42	54
Impairment loss	-	1 228
Parliamentary allocation	(78 117)	(38 808)
Assets written off	-	5
Changes in working capital:		
Inventories	2 955	(677)
Trade and other receivables	1 306	2 673
Prepayments for licenses	(39)	-
Trade and other payables	(7 953)	10 237
Deferred income	21 230	-
	(56 695)	(49 746)
22. Parliamentary allocation and finance charges		
Parliamentary allocation amounted to R78,11 million (2008: R38,80 million).		
23. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	199	199
- in second to fifth year inclusive	796	796
	995	995

The SEF leases various factory facilities, offices and warehouses under non-cancelable operating lease agreements from the Department of Public Works. These leases have indefinite terms.

Sheltered Employment Factories
Notes to the Annual Financial Statements for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
24. 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 (AC 126) – Related Parties, issued by the South African Institute of Chartered Accountants. No transaction is implicated simply by the nature or existence of the relationships between these entities. Key management of the SEF are remunerated directly by the Department of Labour. However, the following transactions and balances were recorded relating to transactions with related parties as defined above:		
Related party balances		
Sale of goods to related parties		
Year-end balances arising from sale of goods to related parties	14 802	18 735
Impairment provision		
Impairment provision on year-end balances arising from sale of Goods to related parties	8 740	10 380
Services provided by related parties		
Municipalities	116	129
SARS - PAYE	51	-
SARS – VAT	185	696
Telkom	51	80
Workmen's compensation	4	13
Related party transactions		
Parliamentary allocation		
Yearly parliamentary allocation	78 117	38 808
Sale of goods to related parties		
Yearly sale of goods to related parties	46 982	33 071
Services provided by related parties		
Municipalities	2 611	1 178
Postmaster	12	10
SARS – PAYE	1 292	1 129
SARS – VAT	1 597	1 563
Telkom	1 086	1 120
UIF	1 031	948
Workmen's compensation	428	690
25. Prior period errors		
An asset leased under a finance lease in December 2006 was not accounted for in the correct financial year. The corresponding interest and depreciation charges were also not accounted for in the correct year. The correction was made in the current year and is as follows:		
Balance sheet		
Property, plant and equipment	-	(68)
Opening retained earnings	-	(29)

Sheltered Employment Factories

Notes to the Annual Financial Statements for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
Income statement		
Prior period errors		
Depreciation expense	-	(18)
Finance lease charges	-	(10)
26. Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	9 504	-
Add: Irregular expenditure relating to the current year	3 702	9 504
Add: Irregular expenditure relating to the prior year	-	-
Irregular expenditure awaiting condonment	<u>13 206</u>	<u>9 504</u>
 Details of irregular expenditure – current year		
- The tax portion of cellphone contracts with Vodacom, provided to employees, was not included in their respective salaries and the taxes were not paid over to SARS	R 1 329	
- Transport contract (Practice note number SCM 1 of 2003 Paragraph 2.3 not complied with)	R 3 701 112	
No criminal or disciplinary steps were taken as a consequence nor were any amounts considered recoverable.		
27. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Fruitless and wasteful expenditure relating to prior year	-	-
Fruitless and wasteful expenditure relating to current year	279	-
Less: Amounts condoned	-	-
Less: Amounts transferred to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonation	<u>279</u>	
 Details of fruitless and wasteful expenditure – current year		
- SEF paid storage fees for assets which did not belong to SEF	94 392	
- SEF paid the cellphone contracts for former employees	184 122	

Sheltered Employment Factories
Detailed Income statement for the year ended 31 March 2009

	2008/09	2007/08
	R'000	R'000
Revenue		
Sale of goods	56 974	38 970
Cost of sales		
Opening stock	(4 665)	-
Purchases	568	(4 665)
Cost of manufactured goods	(89 877)	(81 702)
Closing stock	4 097	4 665
	<u>(89 877)</u>	<u>(81 702)</u>
Gross deficit	(32 903)	(42 732)
Other income		
Commission received	27	21
Parliamentary allocation	56 887	38 808
Interest received	183	129
Gains on disposal of assets	1	2
	<u>57 098</u>	<u>38 960</u>
Expenses (Refer to page 31)	(21 522)	(22 332)
Operating surplus (deficit)	2 673	(26 104)
Finance costs	(42)	(54)
Net surplus (deficit) for the year	<u>2 631</u>	<u>(26 158)</u>
Operating expenses		
Administration and management fees	-	9
Advertising	(61)	(75)
Auditors remuneration	(1 894)	(1 199)
Bank charges	(125)	(111)
Depreciation, amortisation and impairment	(427)	(1 739)
Employee costs	(10 794)	(8 078)
Entertainment	(19)	(16)
Administrative expenses	11	(53)
IT expenses	(324)	(137)
Minor assets expensed	(112)	(117)
Printing and stationery	(463)	(404)
Professional services	(156)	(185)
Project costs expensed	(1 594)	(738)
Impairment of accounts receivable	2 653	(1 578)
Repairs and maintenance	(173)	(61)
Security	(633)	(617)
Telephone and fax	(1 415)	(1 136)
Training	(21)	(145)
Transport and freight	(5 743)	(5 833)
Travel – local	(232)	(119)
	<u>(21 522)</u>	<u>(22 332)</u>