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A Chance to Transform

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A Culture of Lifelong Learning

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Annual Report

1 April 2002 to 31 March 2003

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The Freedom of Skills

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A Stepping Stone facilitated by Fasset

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Acronyms

ACRONYMS

AGM	Annual General Meeting
CEO	Chief Executive Officer
CPE	Continuous Professional Education
DoL	Department of Labour
ETQA	Education and Training Quality Authority
EXCO	Executive Committee
FASSET	Financial and Accounting Services Seta
FSA	Fasset Skills Advisor
GAAP	Generally Accepted Accounting Practice
HEQC	Higher Education Quality Council
HSRC	Human Sciences Research Council
IIP	Investors In People
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
PFMA	Public Finance Management Act
SAICA	South African Institute of Chartered Accountants
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SCG	Strategic Cash Grant
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDL	Skills Development Levy
SDLA	Skills Development Levies Act
SETA	Sector Education and Training Authority
SGB	Standard Generating Body
SMME	Small, Medium and Micro Enterprises
SSP	Sector Skills Plan
WSP	Workplace Skills Plan
WSPIG	Workplace Skills Plan Implementation Grant
Y1	Year 1 (1 April 2000 to 31 March 2001)
Y2	Year 2 (1 April 2001 to 31 March 2002)
Y3	Year 3 (1 April 2002 to 31 March 2003)

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Chairman's Foreword

CHAIRMAN'S FOREWORD



Honourable Minister, it is our pleasure to present to you this, the third annual report of the Financial and Accounting Services Seta (Fasset) for the period 1 April 2002 to 31 March 2003 (Y3). We recognise the Management Board's responsibility, in our role as the Accounting Authority of Fasset, to prepare these financial statements that fairly present the financial position of Fasset as at 31 March 2003 and the financial performance and summary of cash flow activities for the year ended 31 March 2003.

During the period under review, Fasset was financed predominantly from the levies received in accordance with the Skills Development Levies Act (SDLA) of 1999, and these were used in accordance with this legislation. Specifically, 10% of the levies were used for Seta administrative costs; 70% of the levies were used to accord Grants; and 20% of the levies were transferred to the National Skills Fund (NSF) by the Commissioner for the South African Revenue Service (SARS). Fasset received funding to implement the Thuthuka EUPEC (Education Upliftment Project - Eastern Cape) project out of the funds transferred from the NSF. These funds were applied for in accordance with a project application process facilitated by the Department of Labour (DoL) and are also reported on as part of the Seta's financial statements.

Over and above the preparation of the financial statements, the Management Board of Fasset is mandated to retain full and effective control over Fasset and ensure that decisions, on material matters, are in the hands of the Board.

The role specifically includes but is not limited to:

- Providing strategic leadership
- Ensuring sound governance, including appropriate risk management
- Determining strategies and policies
- Managing performance against agreed strategies and business plans
- Managing the performance of the Chief Executive Officer (CEO) in accordance with agreed performance outputs
- Ensuring effective business management including the approval and achievement of the budget and business plan
- Promoting the objectives and interests of Fasset.

In working towards this mandate, the year under review has been an extremely busy and effective one where we were able to build on the strong foundations of the previous two years of operation. It culminated in the achievement of, and in some cases, exceeding, all of the objectives set by the Management Board for the year, as highlighted in this annual report.

All unclaimed grant funds and excess administration funds have been allocated to strategic social projects, as identified by the Management Board and in accordance with the critical skills areas within the sector. Further details on these strategic projects can be found in the CEO's report and in the Annual Financial Statements.

The Management Board of Fasset complies with best practice and all legislation with regards to governance. In this respect, we have in existence an Audit Charter that governs the operations of the Audit Committee, who have discharged their duties admirably during the course of the period. Further, we now have in existence a Fraud Prevention Plan and fraud prevention



Chief Executive Officer's Report

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION

The past year has seen Fasset move from implementation imperatives during Year 2 (Y2), to measuring the results of this implementation and further expanding on our implementation imperatives. This has proved to be an exciting, stimulating and definitely challenging year, with many more celebrations than frustrations.

Again, as it was last year, it is a celebration in itself to inform all stakeholders that the objectives we set for ourselves have not only been met, but again, in most instances, have been exceeded. The phenomenal successes that Fasset has achieved over the past year are most effectively demonstrated in the report on achievement against the National Skills Development Strategy (NSDS) targets. This information is given in tabular format in Appendix A. The highlights of these, with details on each of Fasset's core activity areas, are provided below.

HIGHLIGHTS:

LEARNERSHIPS

It is in this year that the concept of learnerships really took hold within the Fasset sector. Learnerships were already identified, in the preceding year, as a key driving force behind skills implementation in the sector. In order to facilitate the use of this tool, Fasset registered an additional four learnerships within the year, bringing the total available learnerships within the sector to 14. Further, Fasset facilitated and signed agreements of co-operation with eight Setas to co-ordinate the implementation of Fasset learnerships outside of the sector.

The sector's approval of these efforts can be measured by the 8 924 learners who have already been registered on learnership

agreements within Fasset. This level of sector support and buy-in is extremely gratifying. It is further heartwarming to see that a great number of learners have been registered on Fasset learnerships in other sectors. The changes to the tax legislation, in support of learnerships, have been a welcome support for this learning tool. Skills programmes could not, however, be registered until such time as the unit standards are registered. Fasset is awaiting this registration before it makes such programmes available and registers learners thereon.

In continuation of the support for the successful implementation of learnerships, Fasset has already achieved significant progress in the development of a further four learnerships - two public finance learnerships and two management consulting learnerships. Over and above this, investigation has already started on identifying strategic needs within the area of financial markets and entry-level learnerships.

The partnership model with professional bodies continues to prove effective and the support of the professional bodies and the employers in this regard continues to allow Fasset to be the leading Seta when it comes to the registration of learnership agreements.

The average time period for learnerships within the sector is three years, and we therefore look forward, within the next year or two (as many learners near completion of their programmes), to moving into a phase of monitoring and evaluation of the success of the learnerships.

The continuation of a specific learnership grant, aimed exclusively at previously unemployed learners, has further supported the participation of employers and brought new learners into the sector. It has become evident that the continuation of grants of this nature will ensure that the importance of



learnerships, as one of the key drivers for skills upliftment, is continually enhanced.

Education and Training Quality Authority (ETQA)

The current learnerships have all been based on full qualifications, as registered with the South African Qualifications Authority (SAQA). This has not, however, stopped Fasset from continuing its funding of the Standard Generating Body (SGB) in the generation of unit standards in the accountancy, management consulting and financial markets sectors.

The partnership approach to learnerships has been strongly followed through in the ETQA area of Fasset in the past year, with five agent-ETQAs being accredited or in the process of being accredited. It is through this approach that effective mechanisms for accreditation have been maintained and developed. As at the end of the year, Fasset had accredited 304 workplace providers along with a further 730 accredited by the South African Institute of Chartered Accountants (SAICA) for the implementation of Fasset learnerships. During the coming year, the mechanisms will be further developed as we embark on the process of accreditation of private and public education providers. Within the scope of Fasset, there are also a number of other ETQAs, such as SAICA and the Higher Education Quality Council (HEQC), whose efforts partner with Fasset's and increase our ability to produce quality learning within the sector. Numerous Fasset-funded capacity-building projects will also continue to maintain efforts in this regard.

The successful pilot of the Assessor Training workshops has led to full implementation, which has seen 129 assessors complete these courses offered by Fasset.

The agreements, of which eight have already been signed with other Setas and ETQAs, continue to be driven by Fasset in order to maintain the facilitation of the recognition of providers in our sector. These agreements are a key tool within the recognition process, as very few, if any, single purpose providers exist within the sector.

The maintenance of standards and the adherence towards best practice is the key driver in the quality assurance model adopted by Fasset. To this end, the full quality management system that was introduced in the previous year has become entrenched in the operations of Fasset and is monitored and maintained on a regular basis.

SKILLS PLANNING

During the year, Fasset continued its strong emphasis on increasing the level and depth of employer participation in the grant process. Our increasingly successful Small, Medium and Micro Enterprises (SMME) intervention has been one of the key mechanisms for the delivery of the superb participation levels Fasset has been able to achieve from the 6 980 levy-paying members. This has been supported by a strategic decision to ensure that the Workplace Skills Plan (WSP) is used as a basis for all other skills development initiatives. As such, this grant has become a key to all other Fasset tools and benefits.

The number of WSPs received in Year 3 (Y3) rose again - the 1 986 applications received during the year was a 188% increase on applications received in the previous period (1 056 received in Y2). 1 621 WSP Grants had been paid out by year-end with the balance of the grant applications, some 367, currently being processed. The number of Skills Development Facilitators (SDFs) registered



formally and informally, and we will continue to forge a positive relationship with this, and all other, important stakeholders.

SOCIAL PROJECTS

The systems and procedures for the allocation of unclaimed grant funds were effectively established over the past year, in accordance with the strategy agreed to by the Management Board. This has allowed Fasset to seek out and effectively fund many social projects that are aligned with the SSP and priority areas identified as part of the annual strategy.

During the period under review, Fasset identified and embarked on an increasing number of these social projects. These projects are aligned to the strategic objectives and direction of Fasset, as identified by the Management Board and detailed in Fasset's SSP. Every project is approved by the Executive Committee (EXCO) in accordance with specific objectives and deliverables that are determined to be in line with these strategic imperatives. The projects cover a range of levels, from Grade 12 Mathematics and Accounting bridging interventions, to post-graduate learnership support initiatives. The new projects identified for funding in 2003 further indicates Fasset's growing ability to support a broadening spectrum of areas, including initiatives for the financial markets industries as well as the debt collection industry. Every project is monitored on an on-going basis and is measured against the agreed objectives and deliverables. The progress of each project is reported against monthly and this information is submitted to the Audit Committee, EXCO, and the Management Board. A number of projects embarked upon in the previous financial period, also reached a successful conclusion. Funding for these social projects is made

available from the unclaimed grants. The projects that have been supported by Fasset are listed in Note 20.1 to the Financial Statements. It is exciting and gratifying to note that despite the time delay of at least a year in calculating surplus funds, Fasset has already allocated 93% of all funds available.

In summary, at year-end, a total of R74 945 000 had been allocated to social projects, of which R20 687 000 had already been spent on the identified projects.

The NSF Funded Thuthuka Project

Over and above the projects identified through Fasset's social development project process, Fasset submitted the Thuthuka Education Upliftment Project - Eastern Cape to the NSF in 2001 for approval.

The project has a number of key elements. The first is a school-level programme, aimed at supporting Grade 11 and 12 learners in Maths and Accounting. This is done through the provision of expert-run clinics, the provision of professional learning materials and educator clinics and material. The second key element is the capacity building of the Centre of Accounting at the University of Fort Hare so that they are able to offer an accredited BCom Accounting degree. The purpose of this element is to continue to provide entry points and career paths to the learners being supported in the province. Finally, the project also offers Street Finance, a programme to upskill principals and educators in personal financial management.

The successful implementation of this project in 2002 was a great achievement for the Thuthuka task team. Their efforts are clearly seen in the numerical results of the project, which has also made an indelible and



intangible impact on the lives of so many. Some statistical results on the project are provided in the accompanying table.

Subject	Thuthuka Learner Average	Provincial Learner Average
Accounting (HG)	45,09%	38,12%
Accounting (SG)	49,14%	42,38%
Maths (HG)	47,60%	40,63%
Maths (SG)	42,91%	29,17%
Subject	Thuthuka Learner Average Pass Rate	Provincial Average Pass Rate
Maths	64%	37%
Accounting	77%	65%

Although the project has been enormously effective, ways to further improve the impact of the project and the effectiveness of the clinics were identified after it became clear to the school project coordinators that many of the learners were unable to express their technical knowledge effectively. Because of this, Fasset was approached to fund the addition of English clinics to the already funded Maths and Accounting clinics, in 2003 and 2004. Fasset is now also contributing this element to this exciting project and the Thuthuka - Eastern Cape English clinics, thus, form part of Fasset's social projects.

The financial details regarding this NSF funded project are provided in the financial statements of this report.

Investors in People (IIP)

Fasset was proudly accepted as a pilot delivery partner to Investors in People (South Africa) in January 2003. This pilot partner status will allow Fasset to embark upon a programme of communicating the standard to participating members of the sector.

THE ORGANISATIONAL FRAMEWORK

In order to have achieved the significant successes highlighted above, a strong organisational infrastructure is needed to support the activities of Fasset. This next section details this structure.

Established to fulfil the mandate of the Skills Development Act (SDA), the structure consists of two main components; the Management Board and Committees, and the Management Team who are responsible for executing its functions.

Management Board

Responsibility

The Management Board of Fasset has a mandate for, amongst other duties, the monitoring and reviewing of the preparation, integrity and reliability of Fasset's financial statements, accounting policies and information contained in this report. This responsibility is supported by internal control and risk management processes implemented by Management, and independently monitored for effectiveness by the outsourced audit function.

Fasset and the Management Board are committed to the characteristics of transparency, integrity, corporate discipline, independence, responsibility, fairness, social responsibility and accountability, as advocated in both volumes of the King Report on Corporate Governance and Conduct.

Composition

The Management Board consists of one executive member and 16 non-executive members, of which:

- Four are trade union representatives
- Four are professional body representatives
- Eight are employer representatives, and
- The CEO, who has no voting rights.



was elected Vice-Chairman. Vusi Mabena then took a position outside of the sector and was unable to continue his participation on the Board. Graham Terry then took over as Chairman for the remaining period.

The Board is supported by various internal committees that help it execute its responsibilities and the Board delegates certain responsibilities to these committees. These duties include, amongst others, the formulation of policies and procedures. The committee structure is provided in Appendix B. Members will have attended up to 10 committee meetings per year (Finance Committee normally meets on a monthly basis), over and above the Management Board meetings. Attendance at committee meetings is not remunerated, apart from that of the members of the Audit Committee (whose remuneration is disclosed in the accompanying table) and participation is based on a voluntary commitment of time. Committee members are, however, reimbursed for any out of pocket expenditure, such as travel.

Audit Committee

The Audit Committee is remunerated on an hourly basis, determined by the number of meetings attended and the number of hours each meeting lasted. The remuneration rate used was R645 per hour, as recommended by the Auditor-General rate scales.

The Committee meets at least twice a year (five times in the period under review) and, by invitation, Deloitte & Touche, the Office of the Auditor-General, Fasset's CEO, the Policies and Projects Manager of Fasset, together with the internal auditors, attended Audit Committee meetings to review accounting, auditing, financial reporting and internal control matters.

An Audit Committee charter exists, there is an internal audit function and the Audit Committee has confirmed that adequate internal control systems are maintained, as can be seen by the Audit Committee report elsewhere in this publication. There were no material breakdowns in the functioning of the internal financial control systems during the year.

Management Team

The Management Team's main responsibility is to implement the strategies and policies as outlined in the legislation and agreed to by the Management Board. It is responsible for implementing the core functions as defined in the SDA; implementing financial administration systems and accounting in terms of the budget; maintaining and constantly re-evaluating the governance systems; research; dissemination of information; maintaining the database and website; and performing all administrative functions necessary to ensure compliance with relevant legislation.

Board Committee Name	Committee Chair	Number of Meetings
Audit Committee	Kobie Kleynhans (Independent Chair)	5
EXCO	Graham Terry	6
Learnerships	Johannes Botha	4
Quality Assurance	Mary-Anne Trollope	4
Skills Planning	Karen van Wyk	4
Communications	Ashley Ross	4
Finance	Robert Capper	10
Management Information	Graham Terry	0 (IT issues were dealt with directly through EXCO during this period)



CORPORATE GOVERNANCE

Fasset, as a public entity, is governed by the requirements of the PFMA and is also committed to ensuring that the recommendations of the King Reports are adhered to.

In this regard a comprehensive set of policies and procedures have been designed and implemented in accordance with the Fasset constitution and in support of the SSP and Business Plan. These policies contribute towards the effectiveness of corporate governance strategies and are in accordance with the PFMA and King Reports.

Reference to good corporate governance has already been made, both in the Chairman's Report as well as earlier in this report. It is, however, important to specifically note the internal financial controls and risk management measures that have been put in place as part of the overall strategy of ensuring that PFMA requirements are met and good corporate governance policies adhered to. Further, appropriate policies are supported by reasonable and prudent judgements and estimates have been used consistently.

Internal Financial Control

Internal financial control focuses on critical risk areas. These areas are identified by Management, confirmed and reviewed by the Audit Committee and accordingly evaluated by the internal auditors.

The Fasset Management Team, as well as its governing structures, are confident that the standards set and the implementation of systems of internal control and accounting control are adequate and ensure the integrity and reliability of the financial statements and

accountability of Fasset's assets. The systems of internal financial controls are monitored throughout the year by Management and internal audit.

Management is responsible for implementing controls, ensuring that personnel are suitably qualified and that appropriate segregation of duties exists. Processes are in place to monitor the effectiveness of internal control and to identify and report material breakdowns as well as to ensure that timely and appropriate corrective action is taken.

Risk Management

An independent risk process has been implemented to effectively identify, evaluate and assess all risks to enable Management to limit losses through sound judgment and decision-making. Fasset has a full understanding of all the risk elements and the necessary skills and systems to manage those risks.

Fasset constantly improves its risk management techniques by instilling a culture of risk awareness. The internal auditors have the responsibility to monitor the prescribed procedures and have direct access to the CEO, the Audit Committee and the Management Board. (This is a Treasury Regulation requirement). Further in this regard, Fasset has, in the period under review, developed and implemented a Fraud Prevention Plan, a Business Continuity Plan and a Materiality Framework. The Materiality Framework was developed to articulate the meaning of the concepts "materiality" and "significance" for purposes of certain events as defined in the Treasury Regulations to the PFMA. Both quantitative and qualitative criteria were taken into account in determining the various levels of materiality and significance. During the year under



review, there were no instances that occurred as envisaged by the Treasury Regulations to the PFMA (ie disclosures to the Executive Authority, informing the National Treasury of certain defined transactions, losses through criminal conduct or irregular, fruitless or wasteful expenditure) that required the policy developed in the Materiality Framework to be applied.

It is further required that the Annual Financial Statements of public entities be audited by the Office of the Auditor-General. In this regard the Office of the Auditor-General has completed the audit and the final report issued by the Office has been included in this annual report.

Sustainability

Fasset has effective internal controls, risk management processes and human resource policies and procedures to ensure that the organisation is sustainable and will be able to continue to operate at a high level of effectiveness in the future.

SUMMARY OF THE HIGHLIGHTS OF THE YEAR

Fasset has concluded its second effective year of implementation with many successes to report. It seems that this report is full of achievements and it would be difficult to identify individual highlights. However, there are some pivotal points worthy of highlight:

- The continued, extraordinary increase in participation rates by employers, predominantly SMMEs (188%)
- The registration of over 8 924 learners, supported by the partnerships with professional bodies and other sectors and an immense support from employers
- The implementation and approval of a growing number of social projects - 10 in

the period under review

- The ever-increasing number of stakeholders participating in our CPE programme, facilitated in support of the NSDS target of creating a culture of life-long learning.

These highlights, and the notable successes that they have led to, indicate the commitment of the broader stakeholder community to skills development within the sector. We are extremely grateful to all stakeholders who have already participated, but will continue striving to increase participation rates by employers, the number of registered learners and the number of projects being supported through strategic project funding.

CHALLENGES

The last year, even though it was extremely successful in terms of delivery, has not been without its challenges - a number of which still face us. The accuracy and completeness of levy information from SARS, and the lack of clarity on effective reporting mechanisms through the DoL, are the key challenges with which Fasset must contend in order to continue to achieve and promote our successes.

The need to effectively understand the means and barriers to the transformation of our sector, as well as fully understanding the impact of the social projects in this regard, is becoming a priority and will be addressed in the upcoming period.

The need to further increase the number of employers benefiting from the Skills Development Levy (SDL) and the number of employers submitting WSPs, despite repeated success in this regard, also needs to be continually addressed.



Audit Committee Report

AUDIT COMMITTEE REPORT



INTRODUCTION

The Management Board of Fasset is committed to corporate governance practices.

At 31 March 2003, the Audit Committee consisted of the following members:

- Kobie Kleynhans (Chairman) • Emmie Heyn
- Lauriette Modipane • Veronica du Preez
- Theuns Gerber • Witness Magoswana

AUDIT COMMITTEE CHARTER

The Audit Committee Charter is continually updated to comply with world best practice. The Charter complies with principles of good governance and with the requirements of the PFMA. The Audit Committee is accountable to the Management Board and has an oversight function with regard to:

- Financial management and other reporting practices
- Internal controls and the management of risks
- Compliance with laws, regulations and good ethical practices
- The external audit function, and
- The internal audit function.

The Audit Committee has satisfied its responsibilities for the year in compliance with its terms of reference.

REPORT ON THE OPERATIONS OF THE AUDIT COMMITTEE

During the period under review, the most important aspects to which the Audit Committee devoted its attention were:

- Reviewed and approved the internal audit charter in consultation with the head of audit
- Reviewed the risk analysis which has been completed, as well as the internal audit coverage plans and budget
- Considered internal audit reports and made recommendations as appropriate

- Monitored progress with the internal audit coverage plan as well as Management's follow-up of matters requiring attention throughout
- Monitored compliance with Fasset policies and applicable legislation
- Reviewed the draft and audited Annual Financial Statements for the year ended 31 March 2003
- Reviewed the audit report of the Auditor-General of the Annual Financial Statements for the year ended 31 March 2003

CONCLUSION

The Audit Committee wishes to report to the Management Board that in its opinion:

- The Audit Committee has carried out its operations appropriately, diligently and in accordance with the statutory and other requirements
- The major risks facing and which are under the control of Fasset are continually being updated and the three year audit plan accordingly adjusted so that the major risks are being properly managed
- Significant matters requiring Management attention have been adequately addressed
- The internal control systems are effective
- The internal auditors are operating objectively and independently
- The external auditors are operating objectively and independently
- The Annual Financial Statements for the year ended 31 March 2003 fairly present the position of Fasset
- The Office of the Auditor-General has not raised any matters of significance within the control of Fasset.

KOBIE KLEYNHANS
Chairman



Auditor-General's Report

AUDITOR-GENERAL'S REPORT

REPORT OF THE AUDITOR-GENERAL TO THE MINISTER OF LABOUR ON THE FINANCIAL STATEMENTS OF THE FINANCIAL AND ACCOUNTING SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2003.

1. AUDIT ASSIGNMENT

The financial statements, as set out on pages 17 to 37, for the year ended 31 March 2003, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

2.1 Audit of Financial Statements

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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



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

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

3. AUDIT OPINION

3.1 Audit of Financial Statements

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Financial and Accounting Services Sector Education and Training Authority at 31 March 2003 and the results of its operations and cash flows for the year then ended, in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act (Act No 1 of 1999).

4. APPRECIATION

The assistance rendered by the staff of the Financial and Accounting Services Sector Education and Training Authority during the audit is sincerely appreciated.

N. Manik
for Auditor-General
Pretoria, 04/07/2003



Statement of Financial Performance for the year ended 31 March 2003

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	Note	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
REVENUE			
Skills Development Levy income	2	94 564	58 174
Skills Development Levy: Penalties and Interest		717	295
Donations for special projects	11	59	59
Investment income	3	8 200	3 027
National Skills Fund income	4	8 868	-
Other income	5	258	309
Total revenue	1	112 666	61 864
EXPENSES			
Administration expenses	6	(8 748)	(6 280)
Employer Grants and Project expenses	1	(51 610)	(39 296)
National Skills Fund expenses	4	(8 868)	-
Total expenses	1	(69 226)	(45 576)
Net surplus for the year		43 440	16 288

FINANCIAL STATEMENTS

Statement of Financial Position at 31 March 2003

	Note	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
FUNDS AND LIABILITIES			
Funds and Reserves			
Discretionary fund reserve		80 188	36 748
Unappropriated surplus		Nil	Nil
		<u>80 188</u>	<u>36 748</u>
Current Liabilities			
Skills Development Grants payable	7	31 226	21 390
Accounts payable	8	6 399	11 734
VAT payable	9	(286)	489
Employee entitlements	10	123	-
Donor funding received in advance	11	616	675
National Skills Fund	4	6118	-
		<u>44 196</u>	<u>34 288</u>
Total net funds and liabilities		<u>124 384</u>	<u>71 036</u>
ASSETS			
Non-current Assets			
Property, plant and equipment	12	361	405
Investments	13	91 885	53 472
		<u>92 246</u>	<u>53 877</u>
Current Assets			
Skills Development Levy debtors	14	22 533	15 729
Accounts receivable	15	853	23
Cash and cash equivalents	16	8 752	1 407
		<u>32 138</u>	<u>17 159</u>
Total assets		<u>124 384</u>	<u>71 036</u>

Cash Flow Statement

for the year ended 31 March 2003

	Note	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	17	35 396	13 343
Cash generated from/(utilised by) changes in working capital	18	2 274	18 105
Cash generated from/(utilised by) operations		37 670	31 448
Interest received		8 200	3 067
Net cash inflow/(outflow) from operating activities		45 870	34 515
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	12	(137)	(169)
Proceeds from disposal of equipment		25	-
Net cash inflow/(outflow) from investing activities		(112)	(169)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing or loans		-	(520)
Net cash inflow/(outflow) from financing activities		-	(520)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		45 758	33 826
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13 & 16	54 879	21 053
CASH AND CASH EQUIVALENTS AT END OF YEAR	13 & 16	100 637	54 879

Accounting Policies to the Annual Financial Statements for the year ended 31 March 2003



The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year.

I. BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with Statements of GAAP. The financial statements are prepared on the historical cost basis.

II. REVENUE RECOGNITION

i. Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No 9 of 1999), registered member companies of the Seta pay a Skills Development Levy of 1% of the total payroll cost to SARS, who collect the levies on behalf of the Department of Labour.

Member employer company levy payments are set aside in terms of the Skills Development Act, 97 of 1998 for the purpose of:

	2003 (%)	2002 (%)
National Skills Fund contribution	20	20
Administration costs of the Seta	10	10
Employer Grant Fund Levy	70	70
	100	100

80% of Skills Development Levies are paid over to the Seta (net of the 20% contribution to the NSF). The Seta could not verify that SARS has collected all potential skills levy income.

Revenue recognition of levy income represents amounts received and receivable from the Department of Labour. Skills

Development Levy revenue is acknowledged on the accrual basis, except for interest and penalties on the Skills Development Levy, which are recognised when received.

Amounts recognised for Skills Development Levies in respect of both Administration (10%) and the Employer Grants Fund (70%) include estimates and accruals for those months' levy income not actually received by year-end due to timing delays. These estimates are based on an extrapolation of the first nine months levies received for the year. Changes to prior year estimates are accounted for in revenue in the current period of change.

Initial recognition of levy revenue does not include uncollectable amounts in the estimate. No provision for bad debt has been made as material amounts owed are owed by the Department of Labour in terms of the Skills Development Levies Act.

Revenue is disclosed net of Value Added Tax. Refer to Accounting Policy XII on recognition of Value Added Tax.

ii. Donor Income

Conditional grants from donor agencies or individuals are recognised as revenue when received, and where it is probable that the conditions will be met.

However,

- if it is probable that a condition will be breached and the asset be returned, or,
 - if it is equally probable that the condition will be met or breached and the asset be returned,
- then a liability is recognised. In these circumstances, once the conditions have been met, the liability is extinguished and revenue recognised.

iii. Interest Income

Interest is recognised on a time proportion basis as it accrues, unless collectability is in doubt.

III. GRANTS

A registered member employer may recover a minimum of 70% of its total levy payment by complying with the following grant criteria in accordance with the Skills Development Regulations of 22 June 2001:

- **Workplace Skills Planning Grant (WSP):**

The employer has submitted an application for a grant in the prescribed form (Workplace Skills Planning Grant) which grant must be equivalent to 15% (2002 : 15%) of the total levies paid by the employer during the financial year; or

- **Workplace Skills Plan Implementation Grant (WSPIG):**

The employer has submitted an application for a grant in the prescribed form (Workplace Skills Plan Implementation Grant) which grant must be equivalent to 45% (2002 : 50%) of the total levies paid by the employer during the financial year; or

- **Discretionary Grant (SCG):**

A Seta may, as indicated in Section 6(3) of the Regulations, out of any surplus monies, determine and allocate discretionary grants to employers who have submitted an application for a discretionary grant in the prescribed form, which grant could be equivalent to 10% (2002 : 5%) of the total levies paid by the employer during the financial year.

Liabilities for the various grant types as set out in the regulations to the Skills Development Act, 97 of 1998 are accounted for once the specific criteria has been complied with by member

companies and such compliance has been approved by the Seta. Provision is also made for *employer grants* payable where grant applications have been approved, but not yet disbursed, as well as for grant applications received after year-end relating to training plans implemented during the year under review, but which have not been through the approval process. The portion of the provision relating to grant applications received after year-end is disclosed at an estimate of the amount of grant applications that would probably be approved.

IV. RESERVES

i. Unappropriated Surplus

Section 53(3) of the Public Finance Management Act, 1999 (Act No 29 of 1999) as amended requires that a Seta may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained.

There is a time delay of approximately eighteen months to two years before the Seta has allocated grant funds to employers or entered into contractually binding agreements where grants become payable to employers, workers of employers and other education and training providers. It is therefore impracticable to transfer the surplus of a specific year to National Treasury where these funds would be spent in the short to medium term.

The following policies have been adopted in the preparation of the financial statements:

While there is a nil balance on the unappropriated surplus, the statement of changes in funds is used to demonstrate the allocation of various surplus funds.

Surplus reserves, as reflected below, are transferred to the unappropriated surplus. Where approval for the accumulation of

surpluses has been obtained from National Treasury, such amounts are transferred back to the respective reserves, and the amount of the approved accumulation is disclosed in the statement of changes in funds. The provision for the transfer to National Treasury of the remaining surplus funds is made from the unappropriated surplus, and is disclosed in the statement of changes in net funds. This provision results in part of the net funds becoming a liability.

Basis of calculation for surplus funds to be transferred to National Treasury:

Employer Grants Reserve

A provision is raised for the excess of mandatory and discretionary employer grant levies that has not been utilised within two years after the end of the financial year in which such grant levies were accounted for.

Discretionary Reserve

A provision is raised for the excess of discretionary funds that has not been utilised within one year after the end of the financial year in which the funds were transferred into the discretionary reserve. The calculation is made on a first-in first-out basis.

Disclosure of Contingent Liability for all Reserves

National Treasury may request all surplus funds to be transferred in terms of section 53(3) of the Public Finance Management Act, 1999 (Act No 29 of 1999) as amended. A contingent liability is disclosed in the financial statements equalling the total of all the reserves, after the provision for the distribution of the surplus to National Treasury has been taken into account.

ii. Administration Reserve

The Seta can use a maximum of 10% of the skills development levies for administration expenses.

The excess of administration grant levies is transferred to the discretionary reserve to be utilised for special projects and skills priorities.

The amount of the reserve represents administration levies not utilised to finance administrative expenses, which has been approved by National Treasury to be accumulated for the next financial year.

iii. Employer Grants Reserve

70% of the Skills Development Levies are used for the payment of mandatory and discretionary grants to employers and others.

In principle, the Seta has two years after the end of the financial year in which the levies were accounted for, to effect the grant payments to employers.

Employer grant levies not utilised during the above period are transferred to the discretionary reserve any time before the end of the two years after the end of the financial year in which such grant levies were accounted for. Unutilised amounts not transferred to the discretionary reserve are included in the amount provided to be transferred to National Treasury.

The amount of the Employer Grants Reserve represents employer grant levies where:

- Less than two years have expired after the end of the financial year in which the levies were accounted for, or
- Approval has been obtained from National Treasury to accumulate funds for payment of employer grants in the next financial year.



iv. Discretionary Reserve

In principle the Seta has one year after the end of the financial year in which the funds were transferred into the discretionary reserve, to effect the discretionary grant payments. Funds transferred from other reserves gain a new "discretionary" identity when transferred to the discretionary reserve.

The amount of the reserve includes funds where:

- Less than one year has expired after the end of the financial year in which the funds were transferred into the discretionary reserve, or
- Approval has been obtained from National Treasury to accumulate funds to the next financial year.

The following types of discretionary funds are included in the reserve:

- Donor income or funds received by the Setas from the Department of Labour, the National Skills Fund or any contributor for the sole purpose of carrying out the special projects
- Surplus of administration levies not utilised to fund administration costs
- Employer grant levies transferred from the employer grant reserve for discretionary projects
- Investment income, and
- Other income generated by the Seta.

No provision is made for discretionary payments that have been approved at year-end, unless a present obligation existed. Such amounts are disclosed as committed funds.

V. TAXATION

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

VI. FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position include investments, receivables, payables, leases and borrowings. Where relevant, the particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

VII. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at cost less depreciation. Depreciation is calculated on the straight-line basis to write off the cost of each asset to their residual values over their estimated useful life.

The annual depreciation rates used are:

- | | |
|---------------------------------|--------|
| • Computer equipment | 33,33% |
| • Computer software | 50% |
| • Office furniture and fittings | 10% |
| • Office equipment | 20% |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

VIII. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of less than 30 days and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

IX. ACCOUNTING FOR LEASES - WHERE A SETA IS THE LESSEE

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

X. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

XI. PROVISIONS

Provisions are recognised when the Seta has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

XII. VALUE ADDED TAX (VAT)

The amount reflected as Value Added Tax due to SARS is in accordance with the dispensation prescribed by SARS on 8 June 2001 and 24 April 2002. In accordance with this, Value Added Tax is only calculated and paid over on:

- Skills Development Levy: Administration (10% portion)
- Surplus funds on Employer Grant levy (70% portion) once used for projects

The Employer Grant levy (70%) that was previously VAT neutral becomes subject to VAT when the surplus is used for projects.

The VAT output tax liability is recognised on funds utilised on projects as far as actual project expenditure has been incurred.

A contingent liability exists, based on the balance of the surplus of the Employer Grant levy (70%) that is expected to be paid out on projects.

XIII. EMPLOYEE ENTITLEMENTS

i. Short-term Employee Benefits

The cost of short-term employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

ii. Post-employment Benefit Costs

No provision has been made for retirement benefits as the Seta does not provide for retirement benefits of its employees. Retrenchment benefits are recognised and expensed only when the payment is made.

XIV. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes to the Annual Financial Statements at 31 March 2003

1. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

	Total per Statement of Financial Performance	Admin Reserve
Total Revenue	112 666	10 141
Levy income		
Admin Levy income (10%)	9 883	9 883
Grant Levy income (70%)	78 863	
Changes in estimate related to previous year	6 397	
Seta transfers	(579)	
Levy: Penalties and interest	717	
Donations - special projects	59	
Investment income	8 200	
National Skills Fund	8 868	
Other income	258	258
Total Expenses	(69 226)	(8 748)
Administration expenses	(8 737)	(8 737)
Finance costs	(11)	(11)
NSF expenses	(8 868)	
Employer grants and project expenses per statement of financial performance	(51 610)	
Changes in estimate related to previous year	(8 517)	
Employer mandatory grants		
Disbursed	(6 245)	
Approved, not disbursed	(31 226)	
Discretionary grants		
Disbursed	(5 622)	
Net surplus per statement of financial performance allocated	43 440	1 393

2. SKILLS DEVELOPMENT LEVY INCOME

In terms of the Skills Development Act and the Skills Development Levies Act, the following applied during the period under review:

Percentage of payroll payable as a Skills Development Levy

1%

1%

The gross levies contributed by member companies i.r.o. the current year is apportioned as follows:

Administration fund (10%)

11 266

7 836

Levy income: Administration

9 883

6 874

VAT charged on levy income

1 383

962

Employer Grant fund (70%)

Levy income: Employer Grants

78 863

54 851

Withheld by the Department of Labour and paid to the National Skills Fund (20%)

22 532

15 672

Total gross levies contributed by member companies

112 661

78 359

The total levy income per the statement of financial performance is as follows:

Levy income: Administration

9 883

6 874

Levies received

7 412

5 149

Levies accrued

2 471

1 725

Levy income: Employer Grants

78 863

54 851

Levies received

59 147

41 089

Levies accrued

19 716

13 762

Changes in estimates i.r.o. previous year

6 397

309

Seta transfers

(579)

(3 860)

Skills Development Levy income per statement of financial performance

94 564

58 174

3. INVESTMENT INCOME

Year ended
31 March 2003
(R'000)

Year ended
31 March 2002
(R'000)

Interest

8 200

3 027

4. NATIONAL SKILLS FUND: THUTHUKA EDUCATION UPLIFTMENT PROJECT EASTERN CAPE

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Received during the year	14 962	-
Interest received	24	-
Utilised and recognised as income - conditions met	8 868	-
Closing balance	<u>6 118</u>	<u>-</u>

During the current year conditional funds of R14 962 000 (R17 056 680 VAT inclusive) were received from the National Skills Fund for the purposes of establishing and delivering the Thuthuka Education Upliftment Project in the Eastern Cape.

5. OTHER INCOME

Other income comprises:

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Grants from Government departments	<u>258</u>	<u>309</u>

6. ADMINISTRATION EXPENSES

The following items have been included in administration expenses:

	Note	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Depreciation		148	122
Operating lease rentals		190	166
Loss on disposal of property, plant and equipment		8	-
Cost of employment	6.1	2 717	1 777
Reimbursements to members of the Accounting Authority		19	5
Auditor's remuneration		149	99
Consultancy and service provider fees		2 945	1 864
Prior years additional fees based on increased levy received in current year		295	-
Current year		<u>2 650</u>	<u>1 864</u>

6.1 Cost of Employment

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Salaries and wages	2 677	1 712
Other salary related costs	40	65
	<u>2 717</u>	<u>1 777</u>
Average number of employees	11	8

7. SKILLS DEVELOPMENT GRANTS PAYABLE

	Note	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Opening balance		21 390	2 650
Change in estimate related to the previous year		8 517	-
Amounts utilised		(29 907)	(12 808)
Additional provisions		31 226	31 548
Closing balance	1	<u>31 226</u>	<u>21 390</u>

These closing amounts outstanding at the end of the financial years are paid out within six months after year-end.

8. ACCOUNTS PAYABLE

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Service provider fees	1 751	673
Trade payables	3 210	163
Other accrued expenses	1 438	10 898
	<u>6 399</u>	<u>11 734</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 March 2003		
	Cost (R'000)	Accumulated Depreciation (R'000)	Net Book Value (R'000)
Computer equipment	267	(165)	102
Computer software	36	(36)	-
Office furniture and fittings	161	(29)	132
Office equipment	172	(45)	127
Balance at end of period	<u>636</u>	<u>(275)</u>	<u>361</u>
Made up as follows :			
Owned assets	581	(266)	315
Leased assets	<u>55</u>	<u>(9)</u>	<u>46</u>

	Year ended 31 March 2002		
	Cost (R'000)	Accumulated Depreciation (R'000)	Net Book Value (R'000)
Computer equipment	241	(79)	162
Computer software	36	(20)	16
Office furniture and fittings	135	(14)	121
Office equipment	137	(31)	106
Balance at end of period	<u>549</u>	<u>(144)</u>	<u>405</u>
Made up as follows:			
Owned assets	499	(137)	362
Leased assets	<u>50</u>	<u>(7)</u>	<u>43</u>

Movement Summary 2003

	Net Book Value 2002 (R'000)	Additions (R'000)	Disposals (R'000)	Deprecia- tion Charge (R'000)	Net Book Value 2003 (R'000)
Computer equipment	162	27	-	(87)	102
Computer software	16	-	-	(16)	-
Office furniture and fittings	121	26	-	(15)	132
Office equipment	106	84	(33)	(30)	127
	<u>405</u>	<u>137</u>	<u>(33)</u>	<u>(148)</u>	<u>361</u>

Movement Summary 2002

	Net Book Value 2001 (R'000)	Additions (R'000)	Disposals (R'000)	Deprecia- tion Charge (R'000)	Net Book Value 2002 (R'000)
Computer equipment	163	69	-	(70)	162
Computer software	32	2	-	(18)	16
Office furniture and fittings	74	57	-	(10)	121
Office equipment	89	41	-	(24)	106
	<u>358</u>	<u>16</u>	<u>-</u>	<u>(122)</u>	<u>405</u>

13. INVESTMENTS

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Opening balance	53 472	18 039
Additions	38 413	35 433
Closing balance	<u>91 885</u>	<u>53 472</u>

Regulations to the Skills Development Levy Act No 4 1(c) states that a Seta may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the relevant Seta.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the Seta as a public entity listed in Schedule 3A of the Act, must invest surplus funds with the Corporation for Public Deposits.

As the Seta was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in an institution with an investment grade rating and in line with an investment policy as required by Treasury Regulation 31.3.5.

14. SKILLS DEVELOPMENT LEVY DEBTORS

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Levy debtors		
Administration	2 817	1 967
Employer Grants	19 716	13 762
	<u>22 533</u>	<u>15 729</u>

15. ACCOUNTS RECEIVABLE

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Deposits	2	2
Prepaid expenses	25	21
Other receivables	826	-
	<u>853</u>	<u>23</u>

Other receivables include amounts owing to the Seta relating to Thuthuka Education Upliftment Project VAT.

16. CASH AND CASH EQUIVALENTS

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Cash at bank and in hand	8 752	1 407

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held.

17. NET CASH FLOW GENERATED BY OPERATING ACTIVITIES

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Net surplus as per statement of financial performance	43 440	16 288
Adjusted for non-cash items:		
Depreciation	148	122
Loss on sale of equipment	8	-
Adjusted for items separately disclosed:		
Investment income	(8 200)	(3 067)
Net cash flow generated by operating activities	35 396	13 343

18. WORKING CAPITAL CHANGES

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
(Increase) in accounts receivable	(7 634)	(3 915)
Increase in accounts payable	9 908	22 020
	2 274	18 105



	Approved by Accounting Authority (R'000)	Amount utilised at 31 March 2003 (R'000)
Name of Project - Year 1 Project Fund		
Marketing Campaign (completed)	1 875	1 875
QMS System Project (completed)	164	164
SMME WSP Intervention (completed)	2 290	2 290
SGB Project (completed)	204	204
SMME CPE I (completed)	199	199
SMME CPE II (completed)	245	245
SMME CPE III (completed)	287	287
Access College Phase 1 (completed)	553	553
Auditor-General Bridging Project 2002 (completed)	637	637
St Mary's Outreach Project 2002 (completed)	486	486
PAAB Black Advancement Programme 2002 (completed)	650	650
SMME CPE Subsidy (completed)	310	310
SMME Learnership Grant (completed)	1 455	1 455
Research	1 625	1 366
Assessor Training	750	378
SDF Capacity Building Project	750	373
NSA Emerge Project	1 281	1 199
SGB Extended Scope Project	137	25
IPFA Public Finance Learnerships	3 199	283
Access College Phases 2 and 3	2 176	545
	19 273	13 524
Name of Project - Year 2 Project Fund		
Marketing Campaign (completed)	678	678
SMME CPE I (completed)	250	250
Research	200	-
ETQA Agent Capacity Building	100	6
Assessor and Provider Training	350	110
SMME WSP Intervention	2 000	359
SMME CPE II	290	313
SMME CPE III	280	-
Learnership - Management Consulting	4 200	1 411
Learnership - Securities Markets	1 900	-
Learnership - Entry Level	1 900	-
Learnership Grant	6 000	-
SDF Capacity Building Project	200	-
Project Management	1 710	568
SGB Financial Markets Project	43	6
St Mary's Outreach Project 2003	709	129
Thuthuka CTA/QE Project 2003	4 209	817
PAAB Black Advancement Programme 2003	905	24
Auditor-General Bridging Project 2003	720	295
	26 644	4 966

Approved by
Accounting
Authority
(R'000)

Amount
utilised at
31 March 2003
(R'000)

[] [] [] [] [] [] [] []

Name of Project - Year 3 Project Fund

Learnership Gap Analysis Project	650	-
Assessor Capacity Building Project	350	-
SMME WSP Intervention	1 500	40
SDF Capacity Building Project	900	-
Research	250	-
SMME CPE I	280	-
SMME CPE II	280	-
SMME CPE III	290	-
CPE Learners I	250	-
CPE Learners II	250	-
Marketing Campaign	1 080	227
Investors In People Pilot Delivery Partner Project	1 000	-
Transformation Strategy	2 500	-
ORT Careers Course Project	2 572	-
CFA - Learnership Preparedness Programme	3 057	-
Edumap Enrichment Project	1 092	-
Xenium Securities - Stock Broking Employment Readiness Course	6 524	-
Guarantee Trust Holdings - Unemployed Tertiary Accounting Graduates Support Programme	692	151
Thuthuka Eastern Cape English Project 2003/2004	5 511	1 779
	<u>29 028</u>	<u>2 197</u>
Total - Year 1, 2 and 3 Project Funds	<u>74 945</u>	<u>20 687</u>

20.2 Operating Leases

Total of future minimum lease payments under non-cancellable leases:

	Year ended 31 March 2003 (R'000)	Year ended 31 March 2002 (R'000)
Not later than one year	214	148
Later than one year and not later than five years	303	399
Later than five years	-	-
	<u>517</u>	<u>547</u>

The operating lease relates to building premises used for office accommodation. The lease agreement was entered into effective 1 August 2000 and will be operational for a period of five years, expiring on 31 July 2005. A contract was entered into for the lease of additional office space as from June 2003 for 26 months. The additional rent payable is factored into this note. No provision was made for an option to renew the lease on expiry. The rental escalates annually on 1 August with 10%.

21. Public Finance Management Act

No material losses through criminal conduct, or irregular, fruitless or wasteful expenditure were, according to the information available, incurred during the year ended 31 March 2003.

Appendix A: NSDS Targets and Achievements

APPENDIX A: NSDS TARGETS AND ACHIEVEMENTS

NSDS OBJECTIVE 1: DEVELOPING A CULTURE OF HIGH QUALITY LIFE LONG LEARNING AND FOSTERING SKILLS DEVELOPMENT FOR HIGH QUALITY JOBS

	NSDS Target	FASSET 2002-2003 Target	Achievement	FASSET 2003-2004 Target
1.1	By March 2005, 70% of all workers have at least a Level 1 qualification on the National Qualifications Framework (NQF)	85% of all workers have at least a Level 1 qualification on the NQF	97%	85% of all workers have at least a Level 1 qualification on the NQF
1.2	By March 2005, a minimum of 15% of workers to have embarked on a structured learning programme, of whom at least 50% have completed their programme satisfactorily	A minimum of 10% of workers to have embarked on a structured learning programme, of whom at least 20% have completed their programme satisfactorily	78% of workers have planned to embark on a structured learning programme	A minimum of 15% of workers to have embarked on a structured learning programme, of whom at least 35% have completed their programme satisfactorily
1.3	By March 2005, an average of 20 enterprises per sector (to include large, medium and small firms), and at least five national government departments, to be committed to, or to have achieved, an agreed national standard for enterprise-based people development	To liaise with Investors In People (IIP) pilot projects within the sector to capacity build Fasset	Two pilot projects within the sector liaised with	To participate as a pilot delivery partner and manage a minimum of 12 enterprises (including Fasset as an employer) to be committed to, or have achieved, the IIP Standard
		To communicate with the sector with regards to IIP	N/A	



2.4

NSDS Target	FASSET 2002-2003 Target	Achievement	FASSET 2003-2004 Target
	At least 1 skills programme in all sub sectors with a minimum of 50 skills programmes having been implemented across the sector	0	At least 1 skills programme in all sub sectors with a minimum of 50 skills programmes having been implemented across the sector
	At least 500 employees are registered on learnerships and 300 on skills programmes	8 924 (Learnerships) 0 (Skills Programmes)	At least 6 500 employees are registered on learnerships and 300 on skills programmes
By March 2005, all government departments assess and report on budgeted expenditure for skills development relevant to the Public Service, Sector and Departmental priorities	At least four government departments assess and report on budgeted expenditure for skills development relevant to the Public Service, Sector and Departmental priorities	7	At least four government departments assess and report on budgeted expenditure for skills development relevant to the Public Service, Sector and Departmental priorities. Government departments include the Office of the Auditor-General, SARS, the National and Provincial Treasuries and Setas



**NSDS OBJECTIVE 3:
STIMULATING AND SUPPORTING SKILLS DEVELOPMENT IN SMME'S**

	NSDS Target	FASSET 2002-2003 Target	Achievement	FASSET 2003-2004 Target
3.1	By March 2005, at least 20% of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support to be measured	At least 10% of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support is measured	23%	At least 20% of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support is measured

**NSDS OBJECTIVE 4:
PROMOTING SKILLS DEVELOPMENT AND ACCESS TO JOBS AND SUSTAINABLE LIVELIHOODS THROUGH SOCIAL DEVELOPMENT INITIATIVES**

	NSDS Target	FASSET 2002-2003 Target	Achievement	FASSET 2003-2004 Target
4.1	By March 2003, 100% of the NSF apportionment to social development is spent on viable development projects	Projects to be submitted via Fasset to the NSF to claim at least the equivalent of the full contribution made by Fasset employers to the fund	89% claimed directly via the Thuthuka Education Upliftment Project and SAICA capacitation of SMME workplace providers projects. Over R100m has been allocated to bursaries that include this sector's scope	Projects to be submitted via Fasset to the NSF to claim at least the equivalent of the full contribution made by Fasset employers to the fund



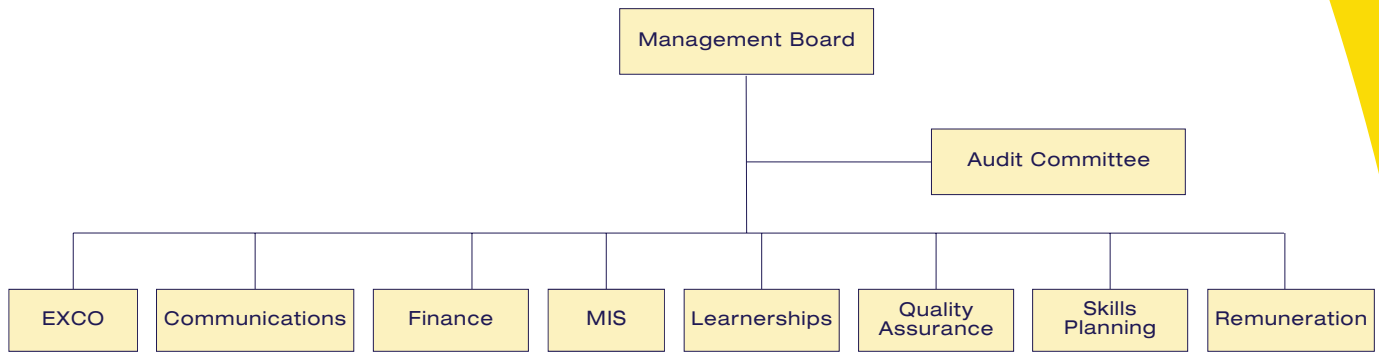
**NSDS OBJECTIVE 5:
ASSISTING NEW ENTRANTS INTO EMPLOYMENT IN THE LABOUR MARKET**

	NSDS Target	FASSET 2002-2003 Target	Achievement	FASSET 2003-2004 Target
5.1	By March 2005, a minimum of 80 000 overall people under the age of 30 have entered learnerships	A minimum of 300 people under the age of 30 have entered learnerships and 150 have entered skills programmes	8 924 (Learnerships) 0 (Skills programmes)	A minimum of 1 200 people under the age of 30 have entered learnerships and 150 have entered skills programmes
5.2	By March 2005, a minimum of 50% of those who have completed learnerships are, within six months of completion employed (eg have a job or are self-employed), in full-time study or further training or are in a social development programme	A minimum of 60% of those who have completed learnerships are, within six months of completion employed (eg have a job or are self-employed), in full-time study or further training or are in a social development programme	1 341 learners have completed their learnerships and 100% are currently employed	A minimum of 60% of those who have completed learnerships are, within six months of completion employed (eg have a job or are self-employed), in full-time study or further training or are in a social development programme



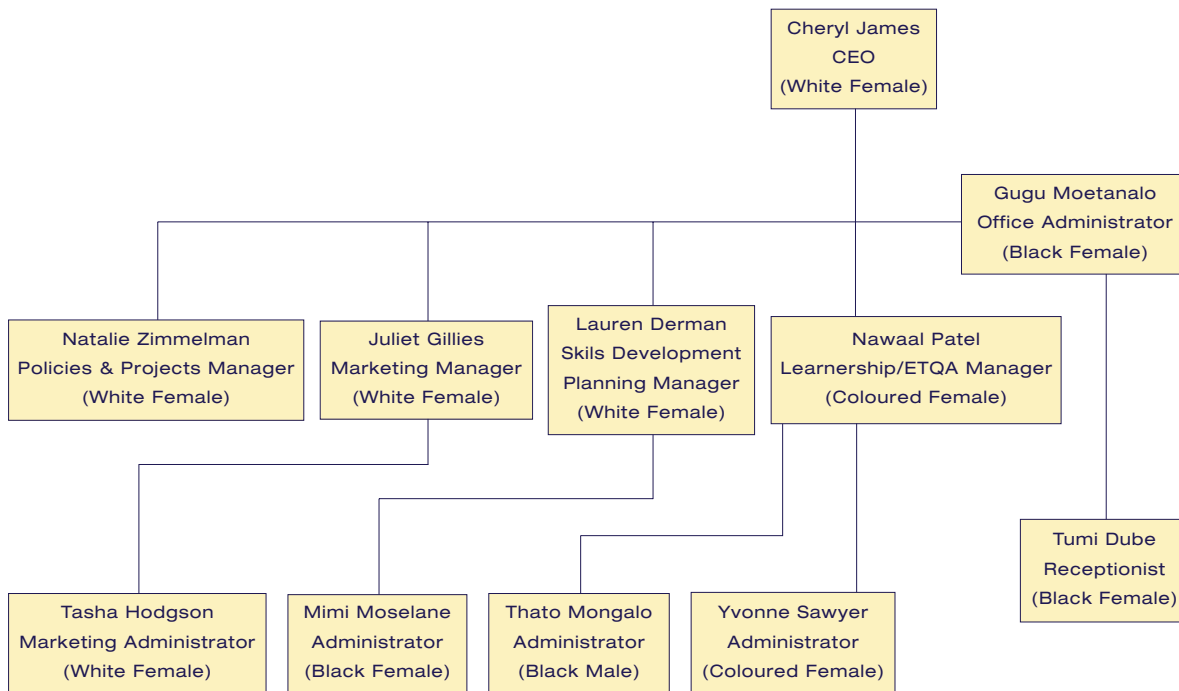
Appendix B: Committee Structure

APPENDIX B: COMMITTEE STRUCTURE



Appendix C: Staff Organogram

APPENDIX C: STAFF ORGANOGRAM



Fraud Policy Statement

FRAUD POLICY STATEMENT

The Financial and Accounting Services Sector Education and Training

The Financial and Accounting Services Sector

Authority (Fasset) is committed to protecting its revenue, expenditure,

Education and Training Authority (Fasset)

assets and its reputation from any attempt by any person to gain financial

is committed to protecting its revenue, expenditure,

or other benefit in an unlawful, dishonest or unethical manner. Coupled

assets and its reputation from any attempt by any

with this Statement, Fasset has implemented a Charter for the

person to gain financial or other benefit in an

implementation of the Fraud Prevention Plan and to give effect to the Fraud

unlawful, dishonest or unethical manner.

Policy Statement.

Coupled with this Statement, Fasset has

implemented a Charter for the implementation of

the Fraud Prevention Plan and to give effect to the

Fraud Policy Statement.

Vision VISION



"To influence the effective operation of the labour market, through effective skills development, so as to ensure the appropriate supply of competent labour necessary to compete in the global economy."

Mission MISSION

- To improve the competence of employees and potential employees, thereby enhancing productivity in the sector;
- To increase the level of investment in education and training in this sector and to optimise the return of this investment;
- To encourage employers and employees to adopt a culture of life-long learning;
- To ensure the quality of training and education in the sector and to support the development of standards in line with the NQF and to actively promote these standards;
- To expand the provision of education and training in the sector through sound partnerships with public and private providers of education and training;
- To enhance co-operation between the public and private sectors;
- To support the objectives of the Employment Equity Act of 1998;
- To enhance access to learning opportunities in the sector;
- To position the sector as the 'sector of career choice' for prospective learners and new entrants into the labour market.



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