



# **FASSET ANNUAL REPORT**

1 April 2003 to 31 March 2004

Fasset is the Sector Education and Training Authority for Finance, Accounting, Management Consulting and other Financial Services.

# *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*

- 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 on 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.



ISBN No: RP38/2004  
ISBN 0-621-35097-4

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# Chairman's Foreword



Honourable Minister, it is our pleasure to present to you the Annual Report of the Financial and Accounting Services Seta (Fasset) for the period 1 April 2003 to 31 March 2004, being the fourth year of our operation (Y4).

During the period under review, Fasset was financed predominantly from skills development levies paid in accordance with the Skills Development Levies Act of 1999 (SDLA), comprising 1% of the salary and wage bill of employers in the sector. Usage of funds

was in accordance with the determining legislation, ie :

- 20% of funds paid to the South African Revenue Service (SARS) withheld by the National Skills Authority (NSA) for purposes of funding national skills development initiatives
- 80% of funds paid to SARS transferred to Fasset, which funds were used as follows :
  - 10% Administrative Costs
  - 70% Refund of Grants

Four grants were available to levy paying members during the period, viz :

- Mandatory Grants
  - Workplace Skills Plan (WSP) Grant
  - Workplace Skills Plan Implementation Grant (WSPiG) (also referred to as the Annual Training Report (ATR) Grant by Fasset)
- Discretionary Grants
  - Strategic Cash Grant (SCG)
  - Learnership Grant

The year under review saw efforts focused on accelerating the rate of spending of any unclaimed grant monies, but without sacrificing the equally important aspects of effectiveness and appropriateness. It is my very great pleasure, therefore, to report that all unclaimed grant funds (1 April 2000 to 31 March 2004) have been allocated to strategic projects identified by the

Management Board. The Social Development Projects funded by Fasset are fully reported on elsewhere in this Report and reveal the extent to which Fasset is building on past proven successes to enrich the skills of the sector and meet the targets set for the Seta in a meaningful way.

We specifically direct your attention to the deficit reflected in the Statement of Financial Performance, which discloses the ever increasing ability of Fasset to channel resources to where these are best needed for skills development in a cost effective manner and in accordance with the Public Finance Management Act of 1999 (PFMA). This is a positive, rather than a negative development, and the trend will reverse in the future as the annual inflow and outflow of funds will tend to equate over the medium term. The drop in income is due to inter-Seta transfers and a large employer having reverted back to the Seta more in line with their main type of business.

Fasset also received funding from the NSA's National Skills Fund (NSF) for purposes of implementing and managing the Thuthuka Education Upliftment Project (Eastern Cape) (EUPEC). Further details on this project are provided elsewhere in this Report. However, we would like to take this opportunity to make early mention of the recent approval, by the Minister of Labour, of additional NSF funding for the expansion of this project into both Limpopo and KwaZulu-Natal. This is on the basis of the already obvious and proven successes quickly achieved by this project in the Eastern Cape. However, this late development falls outside the scope of this Report and will only be reported on in the Fasset Annual Report for the period 1 April 2004 to 31 March 2005 (Y5).

As Fasset's Accounting Authority, it is the Management Board's responsibility to prepare Financial Statements that fairly present Fasset's financial position at 31 March 2004, and also the financial performance and summary of cash flow activities for the year ended 31 March 2004. The Board has prepared and approved the Financial Statements on pages 15 - 37 which were signed off by the CEO and myself on behalf of the Board on 26 May 2004. The Board is of the opinion that appropriate accounting policies, supported by reasonable and prudent judgement and estimates, have been applied on a consistent, going concern basis. With regard to systems and controls,

these include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Further, the management of these financial affairs has been undertaken in accordance with the Financial and Procurement Policies and Procedures which have been put in place. In addition, all necessary structures, policies and procedures are in place in order to ensure compliance with the requirements of the PFMA, including an independent Audit Committee, a Fraud Prevention Plan and internal auditors. Fasset therefore complies with best practice and with all legislation with regards to governance and this continues to be a crucial and very serious aspect of functioning at the Seta.

Notwithstanding the above, the quality of the levy information received remains a cause for concern which is beyond the control of the Authority. Especially problematic was that, as reflected in the Annual Financial Statements for the year under review, SARS effected significant retrospective adjustments to levies previously advised as being available to Fasset, and which had been acted upon in terms of the skills legislation. This has caused considerable complications and challenges in the financial affairs of Fasset. These challenges are being dealt with on an ongoing basis.

Various additional responsibilities are incumbent on the Board and these include : providing strategic direction to Fasset; determining strategies and policies; and managing performance against agreed strategies and business plans. In order that the Board is able to successfully implement its mandate, new Management Board members are thoroughly capacity built into the skills development and Fasset environments via a comprehensive induction programme. A process of assessment of performance of the Management Board has also been implemented and it is hoped that this will prove an additional useful tool in ensuring effective functioning of the Board. We will continue striving to build skills in the sector, to build awareness around skills development in the sector, and to ensure we retain the unquestionable support of all our stakeholders. Efforts in the latter area will continue as we maintain our past strategy of building strong partnerships within the sector and providing a world class communication service to our stakeholders, as this is a strategy that has already paid handsome dividends to date.

In closing, I would like to extend a vote of thanks to my Management Board and the various Working Committees of Fasset. Your dedication and hard work throughout the year have been pivotal to the organisation's ongoing success. I would also like to thank Fasset's CEO and the Management Team for another year of delivery and outstanding achievement. Your highly professional approach, firm commitment, resolve and unwavering dedication to uplifting skills within our sector has ensured that the Seta has not only met, but often exceeded, many of its targets.



**MARYANNE TROLLOPE**  
Chairman

### Fraud Policy Statement

The Financial and Accounting Services Sector Education and Training Authority (Fasset) is committed to protecting its revenue, expenditure, assets and its reputation from any attempt by any person to gain financial or other benefit in an unlawful, dishonest or unethical manner.

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.

*"I want to contribute a lot in South Africa as a whole."*  
2003 Participant in the Fasset-funded Progression Bridging Project



# Chief Executive Officer's Report



## INTRODUCTION

Fasset is very definitely in delivery mode and many of the implementation mechanisms that were put in place in previous years are now starting to bear fruit.

The Annual Report will reveal that many of the objectives set for Fasset have not only been met, but in many instances, exceeded. Our achievements and successes over the past year are most effectively demonstrated in the report on achievement against the National Skills Development Strategy (NSDS) targets provided on

page 38 of this Report. The highlights, however, with succinct details on each core activity, are provided below.

## HIGHLIGHTS :

### LEARNERSHIPS

The partnering model, adopted by Fasset from the outset, has been instrumental in the achievements we are able to report on in the area of learnerships (in many instances the targets have been substantially exceeded). The significance of these achievements becomes more apparent when read in conjunction with the targets against which they are measured (see page 38). However, mention is made here and in Figure 1 of some of the most notable successes, of which we are justifiably proud :

- 11 716 learners registered on Fasset learnerships to date (3/2004) (3 197 during the period under review).  
Of these total learners :
  - 8 785 are 18.1 learners (previously employed learners)
  - 2 931 are 18.2 learners (previously unemployed learners)
  - 1 749 have already completed Fasset learnerships
  - 9 607 are under the age of 30

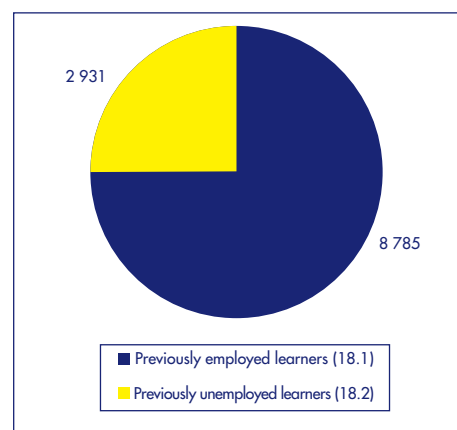
As can be seen above, Fasset is driving the concept of learners strongly into the sector and, more particularly, the signing of Previously Disadvantaged Individuals (PDIs) onto Fasset learnerships. During the period under review, the sector was again incentivised in this area by way of a Learnership Grant.

The positive response to this initiative, yet again, indicates the evident need for this type of incentive to be repeated in future years. We also believe that the tax incentives legislated by the Minister of Finance some years ago provide this sector with a strong incentive to sign learners onto learnerships and we strongly support this, and any other, similar incentives initiated by other government departments.

The Seta is also responsible for ensuring that appropriate learnerships are available in the sector. To this end, an investigation into the strategic needs of the sector was completed and the strategic needs identified. These needs will be factored into our planning in the next period. In the meantime, we continue to make good progress with the development and registration of learnerships and are able to report that an additional five learnerships were registered during the year. This brings the total number of learnerships available in the sector to 19. Two more are currently in development and these will be reported on in our next Annual Report.

In terms of cross-sectoral learnerships, Fasset has, to date, concluded an Agreement of Co-operation with 12 of the other 24 Setas. These Agreements are aimed at enabling learners in our sector to embark upon learnerships in any of these 12 sectors. Conversely, of course, learners from these 12 sectors will also be able to embark upon Fasset learnerships.

Figure 1 : Number of Fasset Registered Learners (3/2004)



## QUALITY ASSURANCE

Fasset's partnering approach has ensured ease in already accrediting most of the sector's professional bodies with



qualifications under Fasset's scope, as agent Education and Training Quality Assurance (ETQA) Bodies. We are currently finalising the process with the remaining institutions. In addition, 85 workplace providers were accredited for the implementation of Fasset learnerships during the period, bringing the total number of accredited workplaces to 389.

We continued to fund the Standard Generating Body (SGB) for Accounting and Auditing (ACFIST), with the development of unit standards and qualifications in three areas, viz Accounting, Financial Markets and Management Consulting. 126 Unit standards were registered in this period – 114 in Accounting and 12 in Financial Markets.

The period under review saw Fasset embark on the process of accreditation of private education providers, with a short course provider pilot project being initiated to provide support for the accreditation process (further details provided in Table 1). Wherever possible, there was an attempt to link short courses with these registered unit standards.

Table 1 : Accreditation of Short Course Providers

Applications Received	33
Full Accreditation	5
Provisional Accreditation	10
Applications still being Processed	12
Applications referred to other ETQAs	6

We are pleased to report that our pilot assessor training project ran to completion and by year end, 274 assessors had been trained in the generic unit standard, Plan and Conduct an Assessment. 80 Assessors were certified as registered assessors for the Institute of Commercial and Financial Accountants of Southern Africa (CFA) qualification. The assessment process will be monitored by the 24 moderators that we also trained.

## SKILLS PLANNING

Our fourth year of operation has seen an increase in the number of WSP and SCG submissions, in the number of WSP Grants paid, in the number of Skills Development Facilitators (SDFs)

registered with Fasset, and in the number of employers represented by SDFs, as indicated in Table 2.

We have continued to support smaller employers by providing them with Fasset Skills Advisors (FSAs), as we maintain our emphasis on increasing participation by all levy paying members of the sector. This focus continues to ensure delivery of the superb participation levels Fasset enjoys (see achievements against NSDS targets on page 38 of this Report).

Four skills development training interventions for SDFs were hosted and ten one-day workshops on topics of interest were offered. In addition, a series of reference booklets covering pertinent topics were made available on more technical aspects of the skills development environment.

New initiatives during the period under review included the introduction of :

- Larger Employer Forums (for employers with more than 50 employees), devised to enable employers to network with one another and to share best practice, as well as to allow employers to interact with Fasset on a more personal level
- An Interim Training Report (ITR) Grant to provide employers with early access to 50% of the 45% available in respect of the full ATR Grant.

A draft Sector Skills Plan (SSP), including the findings of the 2002 Human Sciences Research Council (HSRC) Report, has been produced and we now await input from the Department of Labour (DoL) in terms of NSDS targets. We can report, however, that the most important sector statistics have not changed significantly since data collection on the sector was implemented and some of the interesting statistics are provided in Appendix C.

Table 2 : Skills Planning Comparison (Y3 vs Y4)

	Year 3	Year 4	Percentage Increase
WSPs Submitted	1 986	2 178	9,7%
SCG Applications	375	401	6,9%
WSP Grants Paid	1 621 (additional 367 being processed)	1 863 (additional 315 being processed)	14,9%
Registered SDFs	1 804	2 226	23,4%
Employers with SDFs	2 129	2 661	24,9%

A research study, titled *Impact Analysis of Projects*, was completed and developmental aspects identified which will impact on future strategic decision mapping. Project expenditure was also evaluated to be in line with good corporate governance and all projects funded by Fasset met key deliverables and were considered to be within our mandate.

### **MARKETING COMMUNICATION**

Positive, proactive and timeous communication to all stakeholders remains a high focus area at Fasset and all stakeholders have been kept fully informed of general skills development matters and of Fasset specific developments. Increased levels of stakeholder participation in all areas, including signing learners onto learnerships, the number of submissions for the various grants, SDF registrations and attendance at our Continuous Professional Education (CPE) training sessions, etc, bear testimony to the fact that Marketing Communication plays a vital role in ensuring high levels of awareness, understanding, support and participation for all initiatives. There is a definite understanding of the unquestionable role played by Marketing Communication in the achievements Fasset is able to report.

The Seta is extremely fortunate in serving a very literate and technologically advanced sector, which allows for communication via channels which offer speed of delivery as well as cost effectiveness. The Fasset website remains our flagship mechanism for ongoing communication, with monthly statistics in terms of Total Number of Visits and Total Number of Visitors having climbed to 48 243 and 9 340 (03/2004) respectively.

Recognition of the key role played by the media as one of Fasset's stakeholders, and indeed as one of the sector's gatekeepers, has ensured intensive and ongoing initiatives to build strong relationships with key players. This approach has paid dividends and we enjoy a positive, high profile in the media. Most gratifying is that the media now regularly approach Fasset for a professional, informed, insightful and unbiased opinion on matters relating to skills development.

We must make special mention of Fasset's CPE programme, which is now firmly entrenched as one of the Seta's showcase skills development initiatives. To date, we have hosted 6 108

attendees at the training sessions which are run country wide and attendance numbers continue to climb (3 598 attendees at CPEs in Y4 alone).

We would also like to mention the resounding success of our Social Development Projects tour programme. This provided key representatives, including Management Board members, professional bodies and the media, with an opportunity to view at first hand a selection of the Fasset-funded projects aimed at providing access to the sector for PDIs. Similarly, our Project Showcase function provided many more key stakeholders with an opportunity to view 20 Fasset-funded Social Development Projects at "one sitting". DoL's verbal recognition of the enormous value of these initiatives was extremely gratifying, with DoL Employment and Skills Development Services and Human Resource Development Executive Manager, Ismail Akhalwaya, saying: "The projects that have been showcased here today clearly show the positive role played by Fasset and its stakeholders in the area of skills development and social upliftment."

Lastly, it gives us great pleasure to report that, in an effort to support South African companies and promote the country's economic growth, Fasset is now a proud member of the Proudly South African campaign.

### **SOCIAL DEVELOPMENT PROJECTS**

Unclaimed grant monies are used to fund strategic projects, including Social Development Projects. The sole purpose of these projects is to meet the high skills needs within the sector, identified through Fasset's SSP. The Business Plan conceptualises, on an annual basis, those areas of high priority that the Seta will concentrate on in a particular year.

All new projects are approved by the Executive Committee (EXCO). During the period, six new projects were identified and approved for funding, bringing the total number of approved projects to 29. 13 of these have already run to closure and the remaining 16 are due for completion during 2005.

Total funding allocation to Social Development Projects to date amounts to R48,5m. Tighter control measures have been put in place due to improved monitoring procedures and each



project is monitored on an ongoing basis and measured against the agreed objectives and deliverables.

All Social Development Projects are geared towards addressing the poor demographic profile within the sector, and all are therefore in line with the NSDS targets in terms of beneficiaries, ie :

- 85% Black
- 54% Women
- 4% Disabled

The level of projects ranges from Grade 11 level, where support is provided to learners in subjects such as Higher Grade Mathematics, English and Accounting, to support at post-graduate level. Projects which prepare graduates for the world of work, eg ORT (The Organisation for Resources and Technical Training) Careers Course and Guarantee Trust Holdings (GTH) Unemployed Tertiary Accounting Graduate Support Programme, cater for increased placements within our sector. Pertinent details in respect of the projects funded by the Seta are provided in Appendix D.

Fasset's Social Development Project funding window has now closed, with a change of strategy being determined by the Board during the period. In future, the strategic needs of the sector will be identified and projects designed to deliver the required outcomes as formulated.

### The NSF-funded EUPEC Project

Now in its third year, EUPEC, reported on in much detail in our previous Annual Report, continues to prove successful and justifies the long effort and hard work that has gone into the project. Results to date show that, at a school level, the project intervention has had a positive influence on the Mathematics, Accounting and English results of learners (See Table 3 and Figures 2, 3 and 4). Fort Hare BCom students are also performing well in relation to their contemporaries at other universities.

The success of the intervention has led Fasset to partner with Thuthuka in extending the project into Limpopo and KwaZulu-Natal in the future. This extension has been approved by the Minister of Labour and an additional R75m allocated to this project by the NSF. This falls outside the scope of this Annual Report and will be reported on in Y5.

Table 3 : Thuthuka EUPEC Project (statistics as at 12/2002)

Eligible for Final Grade 12 Exam (EC)	Learners who Wrote the Exam	Thuthuka Learners
14 277	13 887	6 100

Figure 2 : Pass Rate of Thuthuka Learners vs Non-Thuthuka Learners

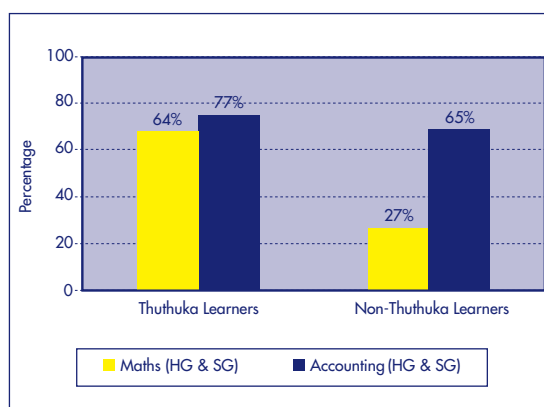


Figure 3 : Thuthuka Learners Exam Mark 2 Average vs Final Grade 12 Average

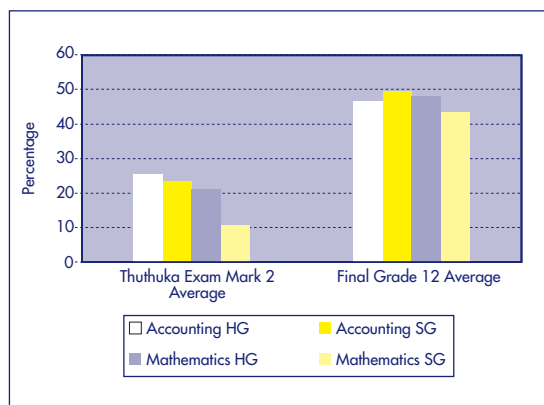
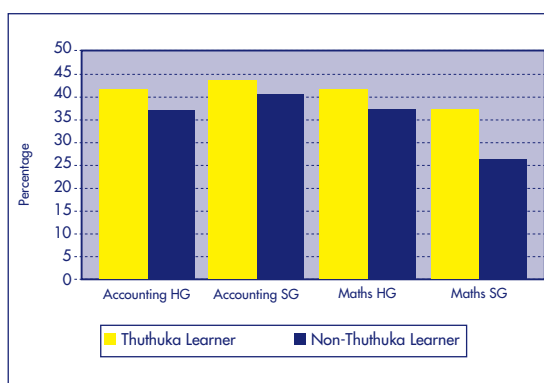


Figure 4 : Average Final Grade 12 Mark Thuthuka Learner vs Non-Thuthuka Learner by Subject



## THE ORGANISATIONAL FRAMEWORK

Fasset's successes would not have been possible without a strong organisational infrastructure. The two structures (a Management Board plus various Working Committees and a Management Team) enable Fasset to carry out its mandate in terms of the Skills Development Act (SDA).

### Management Board

The Board's responsibility has been expanded on in the Chairman's Foreword section of this document and does not require repetition here. However, other pertinent information relating to the Board is provided immediately below.

The composition of the Board is :

- one executive member
- the CEO, who has no voting rights
- 16 non-executive members, of which
  - four are trade union representatives
  - four are professional body representatives
  - eight are employer representatives

The Board meets quarterly to evaluate the Seta's performance, assess risks and review strategic direction. During the period under review, the Management Board met on four occasions, ie :

- 6 June 2003
- 10 September 2003
- 26 November 2003
- 12 March 2004

In accordance with its Constitution, the Board is re-elected on an annual basis. Appendix B indicates the composition of the

Table 4 : Working Committees (Y4)

Working Committee	Chairman	Meetings Attended
Audit	Kobie Kleynhans (Independent Chairman until 5/2003)	4
	Marianne Brown * (Independent Chairman from 9/2003)	3
EXCO	Graham Terry	1
	Maryanne Trollope	4
Quality Assurance & Learnerships	Johannes Botha	1
	Robin Dixie	3
Skills Planning	Karin Van Wyk	1
	Roger Wadsworth	3
Communications	Ashley Ross	1
	Maryanne Trollope	2
Finance	Robert Capper	2
	Bill Shellard	10
Remuneration	Graham Terry	3

(\* Replaced Lauriette Modipane during financial year)

Board which took over office as at 6 June 2003. The number of meetings each member attended is also detailed.

During the period under review, Robert Capper stepped down as Chairman of the Board, although he remained active on the Board and in the structures of Fasset. Maryanne Trollope was then elected into the Chair.

The Board is supported by various Working Committees, whose duties include the formulation of policies and procedures. The Working Committee structure is provided in Figure 5. With the exclusion of the Audit Committee, Working Committee members are not remunerated for attendance at Committee Meetings (see Table 4). However, they are remunerated for out-of-pocket expenditure, such as travel.

Figure 5 : Working Committee Structure

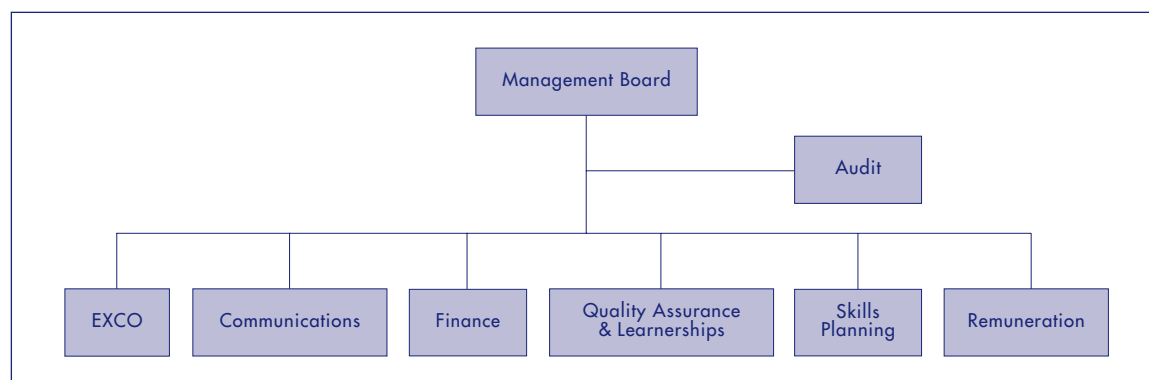


Table 5 : Audit Committee (Y4)

Member	Marianne Brown	Kobie Kleynhans	Emmie Heyn	Veronica du Preez	Annette de Klerk	Theuns Gerber	Witess Magoswana	Lauriette Modipane
Position	Independent Chairman*	Independent Member	Independent Member	Independent Member	Management Board Member ^	Management Board Member	Management Board Member	Independent Member
Meetings Attended & Remunerated During Financial Year	1	2	2	3	2	1	2	1
Meetings Attended but Remunerated After Year End	2	2	2	1	1	0	1	0
Total Number of Meetings Attended (During the Financial Year)	3	4	4	4	3	1	3	1
22 May 2003	-	✓	-	✓	-	✓	-	✓
24 July 2003	-	-	✓	✓	✓	-	✓	-
20 November 2003	✓	✓	✓	✓	✓	-	✓	-
13 January 2004	✓	✓	✓	✓	-	-	-	-
4 March 2004	✓	✓	✓	-	✓	-	✓	-
Remuneration During Year	R2 450	R4 238	R4 348	R6 137	R4 348	R1 788	R3 613	R1 788
Remuneration After Year End	R5 635	R5 635	R5 635	R1 837	R3 797	N/A	R2 205	N/A
Total Remuneration for the Financial Year Ending 31 March 2004	R8 085	R9 873	R9 983	R7 974	R8 145	R1 788	R5 818	R1 788

(\*) Replaced Lauriette Modipane during financial year

(^) Replaced Theuns Gerber during financial year

#### Audit Committee

Members of the Audit Committee are remunerated at an hourly rate. Remuneration is also dependent on the number of meetings attended and the duration of each meeting. A remuneration rate of R735 per hour was used, as recommended by the Auditor-General's rate scales. The Audit Committee met five times during the period under review and two committee members were replaced during the course of the year. Details of the Audit Committee members, the number of meetings attended, and the remuneration received appear in Table 5.

Both an Audit Committee Charter and an internal audit function operate at Fasset. The Audit Committee has confirmed that the Seta maintains adequate internal control systems and that there were no material breakdowns in the functioning of the internal financial control systems during the year.

#### The Management Team

Fasset's Management Team consists of the CEO and four professionals. They are tasked with implementing strategies and policies outlined in the legislation and agreed to by

the Management Board. Specifically, the Management Team is responsible for :

- implementing core functions as defined by the SDA
- implementing strategies and policies
- 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
- performing all administrative functions necessary to ensure compliance with relevant legislation.

Fasset has, since inception, outsourced non-core activities. IT and financial functions are outsourced to Deloitte; Project Management to OD&MS; and the internal audit function to PricewaterhouseCoopers. (During the period under review, MSGM Masuku Jeena (contracted internal auditor) was incorporated into PricewaterhouseCoopers. Fasset negotiated to continue using the services of PricewaterhouseCoopers, with the proviso that the audit team from MSGM Masuku Jeena would continue to work on the audit of the Seta.)



## Staffing

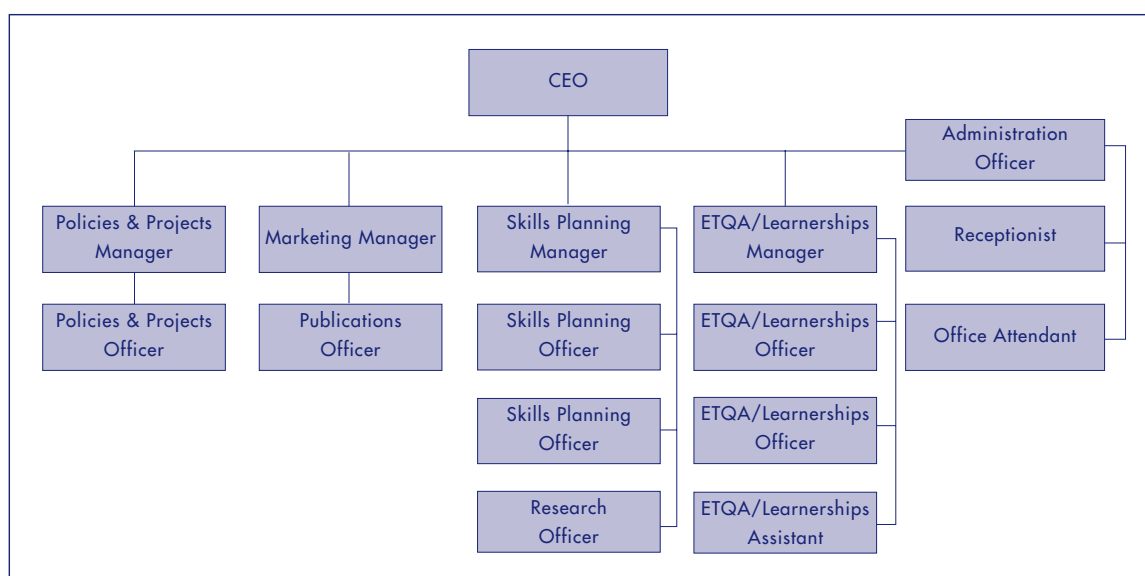
On 31 March 2004 Fasset's staff complement was 15. There were seven new appointments during the year under review, one promotion, and three resignations. A breakdown of the demographic profile and staffing positions is provided in Table 6 and the staff organogram is provided in Figure 6.

The composition of the Management Team is in line with Fasset's commitment to skills development and Employment Equity, not only within the organisation, but also within the sector as a whole. The occupational levels and grades, detailed in Table 7, are aligned with the sector and reflect the organisation's

Table 6 : Staff Profile

Staff Member	Position	Race	Gender	Date Joined	Date Resigned
Nomadlozi Buthelezi	ETQA/Learnerships Assistant	Black	Female	10/2003	
Lauren Derman	Skills Planning Manager	White	Female	4/2001	
Tumi Msibi	Policies and Projects Officer	Black	Female	9/2003 (Promotion)	
Juliet Gillies	Marketing Manager	White	Female	3/2001	
Cheryl James	Chief Executive Officer	White	Female	5/2000	
Tania Lee	Policies and Projects Manager	Coloured	Female	3/2004	
Annah Maseko	Office Attendant	Black	Female	9/2003	
Gugu Moetanalo	Administration Officer	Black	Female	6/2000	
Thato Mongalo	ETQA/Learnerships Officer	Black	Male	2/2002	10/2003
Mimi Moselane	Skills Planning Officer	Black	Female	6/2001	
Yogini Padayachy	Research Officer	Indian	Female	8/2003	
Nawaal Patel	ETQA/Learnerships Manager	Coloured	Female	8/2000	
Venashree Perumal	ETQA/Learnerships Officer	Indian	Female	12/2003	2/2004
Caroline Pulford	Publications Officer	White	Female	5/2003	
Thabiso Sebashe	Receptionist	Black	Female	9/2003	
Marietjie Smit	Skills Planning Officer	White	Female	8/2003	
Yvonne Sawyer	ETQA/Learnerships Officer	Coloured	Female	2/2001	
Natalie Zimmelman	Policies and Projects Manager	White	Female	9/2001	1/2004

Figure 6 : Staff Organogram



commitment to meeting its human resource needs through clearly defining the roles and activities that would be required to fill all relevant positions.

All appropriate Human Resource policies and procedures have been implemented.

Table 7 : Occupational Levels and Grades

Occupational Category	Job Title	Grade (Patterson)	Salary Bands
Senior Managers	CEO *	E2	R515 000 - R700 000
Professionals	Managers	DU	R250 000 - R460 000
Skilled Technical	Officers	CL	R96 000 - R170 000
Clerks	Assistants	BU	R72 000 - R120 000
Elementary Workers	Attendants	AU	R20 000 - R25 000

(\* Actual : R669 040)

#### Investors In People (IIP)

One of the highlights of the year under review was Fasset's accreditation as an IIP organisation. We have always been firmly committed to developing our own people and this accreditation recognises the Seta's commitment in this area. The assessment identified areas where the organisation could improve and grow and many of these recommendations have already been implemented.

#### CORPORATE GOVERNANCE

This item is addressed in the Chairman's Foreword, but we can add that the Seta adheres to a comprehensive set of policies designed and developed in accordance with Fasset's constitution and in support of the SSP and the Business Plan. This contributes towards the effectiveness of corporate governance strategies and is in accordance with the PFMA.

We should add that, in the year ahead, Fasset will have to pay careful attention to the supply chain management requirements that are under development for public entities, specifically the strong emphasis on Black Economic Empowerment (BEE) requirements.

#### Internal Financial Control

Internal financial control focuses on critical risk areas which are identified by Management and reviewed by the Audit

Committee. The Management Team and the governing structures are confident that the standards that have been set and the systems of internal control and accounting control that have been implemented are adequate and ensure the integrity and reliability of Financial Statements and accountability of Fasset's assets. (This item has been extensively reported on in previous Annual Reports.) These systems are continuously monitored throughout the year by both Management and internal audit.

#### Risk Management

An independent risk process is in place to enable Management to effectively identify, evaluate and assess risk. The internal auditors monitor the prescribed procedures.

In line with Treasury Regulation requirements, the internal auditors have direct access to the CEO, the Audit Committee and the Management Board.

A Fraud Prevention Plan, a Business Continuity Plan and a Materiality Framework are in place, and no instances occurred during the year that required an implementation of the policy developed in the Materiality Framework.

In addition, it is a requirement that the Annual Financial Statements of public entities be audited by the Office of the Auditor-General and this has indeed been done and the Office of the Auditor-General has completed the audit and issued the final report, which can be viewed on page 14 of this Report.

#### CHALLENGES

Fasset is extremely fortunate to be able to report on many extraordinary successes and achievements again this year and we believe the organisation has been very successful in delivering against the objectives that were set in our original five-year SSP, which runs to 31 March 2005.

The forthcoming year (Y5) of operation will be one in which we will re-evaluate what we are doing, look at the successes that we have enjoyed, and start planning the way forward for the next five-year period.



Transformation, undoubtedly, remains one of the biggest problems facing the sector and most of the challenges facing Fasset will relate to this problem. The sector's poor demographic profile, however, is a problem which cannot be rectified overnight. Despite the sector's best efforts to fast-track transformation, and Fasset's strong focus on addressing this problem in the last four years, the true impact of the many initiatives will only be felt in the longer term.

Financial constraints, poor Mathematics and Accounting education at school level, poor levels of proficiency in the English language, a lack of computer facilities within education institutions and inadequate career guidance at school level are all factors that continue to inhibit access into the sector. The high levels of numeracy required continue to serve as a barrier to entry and although matriculation results have improved in recent years, very few Black matriculants overall, obtain exemption for Higher Grade Mathematics, which is a pre-requisite for entry into the majority of the sector. Even where Black matriculants have obtained relatively high symbols, training institutions claim learners do not have the expected level of knowledge of Mathematics and Accounting. Chartered Accountants provide a very real example, ie efforts to fast track transformation are also stymied by the fact that it takes seven to ten years, on average, to qualify as a Chartered Accountant and cognisance must be taken of Fasset only having been in existence for four years.

A strong focus on supporting interventions, which address the race and gender imbalance within the sector will, therefore, continue to feature in Fasset's strategic imperatives. (Also refer to sector statistics in Appendix C.)

In addition, the introduction of the various Charters, which affect the levy paying organisations in the sector, will hopefully place us in a position where we will be able to align our interventions with the broader needs of a transforming sector.

## CONCLUSION

The announcement by the Minister of Labour, during the period, of the continuation of the Seta system indefinitely, provides us with the opportunity to continue with the work

already started. It indicates Government's firm commitment to the skills development initiative in South Africa and of the Seta model remaining for the foreseeable future. We now await the NSDS targets for the second five-year period (2005 - 2009), ie Year 6 – Year 10, whereafter we will be in a position to align our sector with the broader needs of the South African economy.

Accountable, high quality delivery will always be our challenge and with the continued support of a dedicated Management Team, Management Board and stakeholder community, we are well placed to meet this challenge.



**CHERYL JAMES**

**Chief Executive Officer**



*"I wish to share my skills and my experience with my employers and maybe I will be an asset in their company."*

# Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2004.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE

Table 8 shows persons who served as members of the Audit Committee during the period under review, and their attendance record at formal Audit Committee meetings.

Table 8 : Audit Committee (Y4)

Member	Meetings Attended
<b>Independent Members</b>	
Marianne Brown (Chair) *	3 of 3
Veronica du Preez	4 of 5
Theuns Gerber ^	1 of 1
Emmie Heyn	4 of 5
Kobie Kleynhans	4 of 5
Lauriette Modipane ~	1 of 2
<b>Internal Members</b>	
Witness Magoswana	3 of 5
Annette De Klerk	3 of 5

(\* ) Appointed with effect from 9/2003 (~) Resigned with effect from 9/2003  
(^) Resigned with effect from 6/2003

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has adopted appropriate terms of reference as its Audit Committee Charter. The Charter is regularly updated and 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 following activities were undertaken and demonstrate the commitment of the Audit Committee to achieving its mandate :

- Updated the internal audit charter
- Updated the audit committee charter
- 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 plans as well as Management's follow-up of matters requiring attention throughout
- Monitored compliance with Fasset policies and applicable legislation
- Conducted separate informal meetings with both internal and external audit
- Conducted a self-assessment after year-end. Although the results of the self-assessment were not yet finalised at the time of writing of this report, the overall results were encouraging and areas for improvement have been identified.

## The Effectiveness of Internal Control

The Audit Committee is satisfied that :

- The major risks facing and which are under the control of Fasset are continually being updated and the three-year audit plan is accordingly adjusted so that the major risks are being properly managed
- The internal control systems are effective and the internal auditors are operating objectively and independently
- Matters requiring Management attention have been adequately addressed.

## Evaluation of Financial Statements

The Audit Committee has :

- Reviewed and discussed with the external auditor and Management the audited Annual Financial Statements to be included in the Annual Report
- Reviewed the external auditors' management letter and Management's response thereto
- Reviewed significant adjustments resulting from the audit.

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



**MARIANNE BROWN**  
Audit Committee Chair



# Auditor-General's Report

REPORT OF THE AUDITOR-GENERAL TO  
PARLIAMENT ON THE FINANCIAL STATEMENTS OF  
THE FINANCIAL AND ACCOUNTING SERVICES  
SECTOR EDUCATION AND TRAINING AUTHORITY  
FOR THE YEAR ENDED 31 MARCH 2004.



A U D I T O R - G E N E R A L

## 1. AUDIT ASSIGNMENT

The Financial Statements, as set out on pages 15 to 37, for the year ended 31 March 2004, 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) and section 14(6)(a) of the Skills Development Act, 1998 (Act No 97 of 1998). These Financial Statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these Financial Statements, based on the audit.

## 2. NATURE AND SCOPE

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

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 2004 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, 1999 (Act No 1 of 1999) (PFMA).

## 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**  
**9 July 2004**



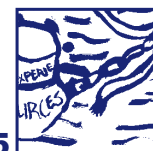
# Statement of Financial Performance

## for the year ended 31 March 2004

	Note	2003/04 (R'000)	2002/03 (R'000)
<b>REVENUE</b>			
Skills Development Levy : income	2	70 033	94 564
Skills Development Levy : penalties and interest		776	717
National Skills Fund income	3	8 095	8 868
Donations for special projects	11	599	59
Investment income	4	8 785	8 200
Other income	5	150	258
<b>Total Revenue</b>	1	<b>88 438</b>	<b>112 666</b>
<b>EXPENSES</b>			
Administration expenses	6	(8 582)	(8 748)
National Skills Fund expenses	3	(8 095)	(8 868)
Employer Grants and Project expenses	1	(87 039)	(51 610)
<b>Total Expenses</b>	1	<b>(103 716)</b>	<b>(69 226)</b>
<b>Net (Deficit) / Surplus for the Year</b>	1	<b>(15 278)</b>	<b>43 440</b>

*"I am grateful and indebted to everyone who has supported me in this journey of rediscovering myself. Amongst others, I have learned to learn, unlearn and relearn..."*

Bhekisipho Goodwill Mlungisi Zama  
2003 Participant in the Fasset-funded LPP Project



# Statement of Financial Position

## at 31 March 2004

	Note	2003/04 (R'000)	2002/03 (R'000)
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and Reserves</b>			
Discretionary fund reserve		64 910	80 188
		<u>64 910</u>	<u>80 188</u>
<b>Current Liabilities</b>			
Skills Development Grants payable	7	34 397	31 226
Accounts payable	8	5 239	6 399
Value added tax	9	16	(286)
Employee entitlements	10	148	123
Donor funding received in advance	11	17	616
National Skills Fund received	3	7 704	6 118
		<u>47 521</u>	<u>44 196</u>
<b>Total Net Funds and Liabilities</b>		<u>112 431</u>	<u>124 384</u>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	12	398	361
<b>Current Assets</b>			
Skills Development Levy debtors	13	25 044	22 533
Accounts receivable	14	30	853
Cash and cash equivalents	15	86 959	100 637
		<u>112 033</u>	<u>124 023</u>
<b>Total Assets</b>		<u>112 431</u>	<u>124 384</u>



# Statement of Changes in Funds

## for the year ended 31 March 2004

	Note	Administration Reserve (R'000)	Employer Grants Reserve (R'000)	Discretionary Grants Reserve (R'000)	Total (R'000)
<b>Balance at 1 April 2002</b>		-	-	36 748	36 748
Net surplus per Statement of Financial					
Performance allocated	1	1 393	32 875	9 172	43 440
Transfer to Discretionary Reserve		(1 393)	(32 875)	34 268	-
<b>Balance at 31 March 2003</b>		-	-	80 188	80 188
Net surplus / (deficit) per Statement of					
Financial Performance allocated	1	1 304	19 465	(36 047)	(15 278)
Transfer to Discretionary Reserve		(1 304)	(19 465)	20 769	-
<b>Balance at 31 March 2004</b>		-	-	64 910	64 910

*"Knowledge is power and the power is vested in me, in us, to share with others. This may make South Africa a better place for everybody."*

Boitumelo Mokgoko

2004 Participant in the Fasset-funded Auditor-General Bridging Project



# Cash Flow Statement

## for the year ended 31 March 2004

	Note	2003/04 (R'000)	2002/03 (R'000)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>16</b>	(22 270)	37 670
Investment income	4	8 785	8 200
		<u>(13 485)</u>	<u>45 870</u>
<b>Receipts</b>			
Skills Development Levy : receipts		71 574	87 760
Skills Development Levies : penalties and interest receipts		776	717
National Skills Fund receipts	3	9 681	14 986
Investment income	4	8 785	8 200
Other receipts	5	150	258
<b>Payments</b>			
Administration payments		(8 436)	(15 409)
Compensation of employees		(3 063)	(2 594)
Other		(5 373)	(12 815)
Employer Grant and project payments		(87 920)	(41 774)
National Skills Fund payments		(8 095)	(8 868)
<b>Net cash (outflow) / inflow from operating activities</b>		<u>(13 485)</u>	<u>45 870</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(193)	(137)
Proceeds from disposal of property, plant and equipment	12	-	25
<b>Net cash outflow from investing activities</b>		<u>(193)</u>	<u>(112)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>			
		(13 678)	45 758
<b>Cash and cash equivalents at beginning of year</b>			
	15	100 637	54 879
<b>Cash and cash equivalents at end of year</b>			
	15	<u>86 959</u>	<u>100 637</u>



# Accounting Policies to the Annual Financial Statements for the year ended 31 March 2004

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 under 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 :

	2003/04 (%)	2002/03 (%)
National Skills Fund contribution	20	20
Administration costs of the Seta	10	10
Employer Grant Fund Levy	60	60
Mandatory Workplace Skills Planning Grant	15	15
Mandatory Workplace Skills Implementation Grant	45	45
Discretionary Grants	10	10
	<u>100</u>	<u>100</u>

80% of Skills Development Levies are paid over to the Seta (net of the 20% contribution to the National Skills Fund). The Seta was not in a position to 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 is recognised when received. Amounts recognised for Skills Development Levies in respect of Administration (10%), the Employer Grants Fund (60%) and Discretionary Grants (10%) 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 uncollectible amounts in the estimate. No provision for irrecoverable levies has been made, as material amounts owed are owed by the Department of Labour in terms of the Skills Development Levies Act. Also refer to Accounting Policy III (ii) (c) relating to receivables recognised based on retrospective amendments of skills levies by SARS.

Revenue is adjusted for inter-Seta transfers due to employers changing Setas. Such adjustments are separately disclosed as inter-Seta transfers. The amount of the inter-Seta adjustment is calculated according to the Standard Operating Procedure issued by the Department of Labour in June 2001, taking into account that employers cannot claim employer grants within stipulated periods after the levies have been paid, when the levies are swept to the Discretionary Fund.

When a new employer is transferred to the Seta, the levies transferred by the former Seta are recognised as revenue and allocated to the respective categories to maintain its original identity, being either to the Administration Reserve, Employer Grant Reserve or Discretionary Reserve.

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

### ii. Funds Allocated by the National Skills Fund for Special Projects

The National Skills Fund (NSF) allocates funds in respect of special projects to the Seta on an imprest basis (the funds advanced are topped up once the Seta incurs eligible expenses). If eligible expenses are not incurred, the amount advanced to the Seta has to be refunded to the NSF.

Funds transferred by the NSF are accounted for in the Financial Statements of the Seta as a liability until the related eligible special project expenses are incurred, when the liability is extinguished and revenue recognised.



### iii. 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.

### iv. Interest Income

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

## III. GRANTS

### i. Grant Categories

An organisation that registered with the Seta (known as a member company) 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 :

- **Mandatory Workplace Skills Planning Grant :**  
The employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period (Mandatory Workplace Skills Planning Grant) which grant must be equivalent to 15% of the total levies paid by the employer during the financial year; or
- **Mandatory Workplace Skills Implementation Grant :**  
The employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period (Mandatory Workplace Skills Implementation Grant) which grant must be equivalent to 45% of the total levies paid by the employer during the financial year; or
- **Discretionary Grants :**  
A Seta may, out of any surplus monies, determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period.  
The total pool for discretionary grants is made up out of

10% of the total levies paid by the employers, plus levy grants that are not claimed by employers, the surplus of administration levies not utilised to fund administration costs, investment income, other income generated by the Seta, etc (refer to Accounting Policy IV (iv)).

The Seta uses its discretion as set out in the Regulations to allocate discretionary grants. These discretionary grants are approved by the Seta before the relevant training programme, initiative, or research commences. This results in a significant lapse of time between the time when grant payments are approved and the time when grant payments become payable.

### ii. Provisions for Grants

#### a. Mandatory Employer Grants

##### • **Mandatory Workplace Skills Planning Grant :**

This grant is recognised once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 have been complied with by member companies and such compliance has been approved by Fasset.

##### • **Mandatory Workplace Skills Implementation Grant :**

Based on criteria set out in the regulations to the Skills Development Act, 97 of 1998, the legal obligation to allocate the Mandatory Workplace Skills Implementation Grant only arises once the employer has submitted an application for a grant in the form prescribed in Annexures to the Regulations. However, as confirmed with the Department of Labour on 10 June 2003, the intention with the skills development legislation pertaining to the Mandatory Workplace Skills Implementation Grant has been to implement training initiatives, and the applicable regulations were amended with Regulation 344, published in the Government Gazette No 24967 of 7 March 2003. Therefore, the obligating event to disburse the grant is the actual training and implementation that is taking place at certain employers during the financial year.

In addition to applications received, approved and disbursed before year-end, a provision is therefore also made for the disbursement of the Mandatory Workplace Skills Implementation Grant based on training plans implemented by certain employers during the year under review, where a reliable estimate can be made of the amount of grant applications that would probably be received, approved and disbursed.



The measurement of this obligation involves an estimate, based on the established pattern of past practice of payment of this type of grant, supported by the history built up over the past two years.

#### **b. Discretionary Grants**

No provision is made for discretionary grants' payments that have been approved at year-end, unless a contractual obligation existed. Such amounts are, however, disclosed as committed funds in the Notes to the Financial Statements.

#### **c. Retrospective Adjustments by SARS**

SARS collects relevant levies from employers, of which the Seta receives 80%. The Seta refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it means that :

- Grants may have been paid to certain employers that are in excess of the amount the Seta is finally able to grant to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment.
- Grants are still due to employers and the provision for such amounts due, is raised.

The Seta has a legal right to set off a receivable for the recovery of an overpayment due by an employer against the provision for grant payments to that employer.

Provision for doubtful debt is made for doubtful receivables based on a review of outstanding amounts at year-end. Bad debts are written off in the year in which they are confirmed.

The full amount of the SARS retrospective adjustment does not only relate to grant overpayments to employers, but also consists of a part which was retained by the Seta. A loss is not separately recognised, but current year levy income is affected on a net basis.

### **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 awarded grants 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 the balance of the unappropriated reserve will be nil, it is used to demonstrate the allocation of various surplus funds.

#### **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. Skills Development 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. Skills Development Employer Grants Reserve**

70% of the Skills Development Levies is 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 Skills Development 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.

#### iv. Discretionary Grants 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, or
- Funds that have been committed to special projects.

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

- Donor income or funds received by the Setas from the Department of Labour, 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.

The Discretionary Grants Reserve is reduced by losses recognised as a result of SARS' retrospective adjustments to skills levies.

No provision has been 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 cash and cash equivalents, account and other receivables, and account and other payables. Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Seta becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below :

### Financial Assets

The Seta's principal financial assets are account and other receivables, and cash and cash equivalents. Account and other receivables are stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Cash and cash equivalents are measured at fair value.

### Financial Liabilities

The Seta's principal financial liabilities are account and other payables. Account and other payables are stated at nominal value.

## 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 (ie impairment losses are recognised).



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 net surplus / deficit.

### 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 three months or less 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, deposits held at call with banks, and investments in money market instruments.

### IX. OPERATING LEASE

Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any 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.

Also refer to Accounting Policy III (ii) (c) relating to receivables recognised based on retrospective amendments of skills levies by SARS.

### 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 year-end and adjusted to reflect the current best estimate.

### XII. VALUE ADDED TAX

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), and
- Surplus funds on Employer Grant levy (70% portion) used for projects.

The Employer Grant levy (70%) that was previously VAT neutral, becomes VATable when the surplus is used for projects. Therefore, the amount of revenue is reduced once the VAT liability is incurred.

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

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

Refer to Notes 1, 2, 9 and 17 where this Accounting Policy was applied.

### 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 and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service 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. Termination Benefits

Termination benefits are recognised and expensed only when the payment is made.

#### iii. Post-employment Benefit Costs

No provision has been made for retirement benefits as the Seta does not provide for retirement benefits of its employees.

### XIV. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. This applies particularly to Note 2, the Cash Flow Statement and Note 1.5.



# Notes to the Annual Financial Statements at 31 March 2004

## 1. ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES

	Total per Statement of Financial Performance (R'000)	Administration Reserve (R'000)	Employer Grants Reserve			Discretionary Grants Reserve		
			Mandatory Skills Planning Grant (R'000)	Mandatory Skills Implementation Grant (R'000)	Discretionary (R'000)	Total (R'000)	Projects (R'000)	Total Discretionary (R'000)
<b>Total Revenue</b>	88 438	9 357	15 743	47 231	10 500	73 474	5 607	5 607
Levy income								
Admin Levy income (10%)	7 690	9 207	-	-	-	-	(1 517)	(1 517)
Grant Levy income (70%)	61 460	-	15 743	47 231	10 500	73 474	(12 014)	(12 014)
Changes in estimate related to previous year	883	-	-	-	-	-	883	883
Levy : penalties and interest	776	-	-	-	-	-	776	776
National Skills Fund revenue	8 095	-	-	-	-	-	8 095	8 095
Donations - special projects	599	-	-	-	-	-	599	599
Investment income	8 785	-	-	-	-	-	8 785	8 785
Other income	150	150	-	-	-	-	-	-
<b>Total Expenses</b>	(103 716)	(8 053)	(12 101)	(31 662)	(10 246)	(54 009)	(41 654)	(41 654)
Administration expenses	(8 582)	(8 053)	-	-	-	-	(529)	(529)
National Skills Fund expenses	(8 095)	-	-	-	-	-	(8 095)	(8 095)
Employer grants and project expenses per Statement of Financial Performance	(87 039)	-	(12 101)	(31 662)	(10 246)	(54 009)	(33 030)	(33 030)
Changes in estimate related to previous year	(4 107)	-	(2 180)	(1 906)	(3 631)	(7 717)	3 610	3 610
Provision for bad debts	(155)	-	-	-	-	-	(155)	(155)
Employer mandatory grants disbursed	(12 492)	-	(6 391)	(6 101)	-	(12 492)	-	-
Provision for grant payments	(33 800)	-	(3 530)	(23 655)	(6 615)	(33 800)	-	-
Discretionary grants disbursed	(36 485)	-	-	-	-	-	(36 485)	(36 485)
Net surplus / (deficit) per Statement of Financial Performance	(15 278)	1 304	3 642	15 569	254	19 465	(36 047)	(36 047)



### 1.1 Retrospective Adjustments by SARS :

During the year under review, SARS advised the Seta of erroneously designated Skills Development Levies received in prior periods, resulting in retrospective adjustments. R4 207 000 was recognised as a receivable relating to the overpayment to the employer in earlier periods, and is based on the amount of such grant overpayments. An amount of R155 000 was provided for as doubtful debt. R597 000 was added to the provision for grant payments to specific employers based on grants related to positive retrospective adjustments not yet paid.

No loss was separately recognised for the difference between the amount of the retrospective adjustment and the amount that relates to overpayments to employers in prior periods.

An analysis of the SARS retrospective adjustments is as follows :

	2003/04 (R'000)
Employers' receivable recognised	4 207
Provision for grants payable	(597)
	<hr/>
	3 610
Provision for doubtful debt	(155)
	<hr/>
Net effect of SARS retrospective adjustments on affected employers	3 455
	<hr/> <hr/>

*"We are going to go and teach other students who didn't come here, who didn't get this opportunity."*

Participant in the NSF-funded EUPEC Thuthuka Project



## 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 :

	2003/04 (%)	2002/03 (%)
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 :

	2003/04 (R'000)	2002/03 (R'000)
Administration fund (10%)	8 767	11 214
Levy income : administration	9 207	9 884
Inter-Seta transfers in	180	125
Inter-Seta transfers out	(1 697)	(172)
VAT charged on levy income	1 077	1 377
Discretionary Grants (10%)	8 770	11 229
Levy income : Discretionary Grants	10 500	11 270
Inter-Seta transfers in	121	22
Inter-Seta transfers out	(1 851)	(63)
Employer Grants (60%)	52 690	67 104
Levy income : Employer Grants	62 974	67 593
Inter-Seta transfers in	993	425
Inter-Seta transfers out	(11 277)	(914)
Withheld by the Department of Labour and paid to the National Skills Fund (20%)	20 994	22 532
Total gross levies contributed by member companies	91 221	112 079

The total levy income per the Statement of Financial Performance is as follows :

Levy income : administration	7 690	9 836
Levies received	5 388	7 365
Levies accrued	2 302	2 471
Levy income : Discretionary Grants	8 770	11 228
Levies received	6 146	8 410
Levies accrued	2 624	2 818
Levy income : Employer Grants	52 690	67 103
Levies received	36 946	50 205
Levies accrued	15 744	16 898
Changes in estimates i.r.o. previous year	883	6 397
Skills Development Levy income per Statement of Financial Performance	70 033	94 564



### 3. NATIONAL SKILLS FUND : SPECIAL PROJECTS

	2003/04 (R'000)	2002/03 (R'000)
Opening balance	6 118	-
Received during the year	9 681	14 986
Utilised and recognised as income – conditions met	(8 095)	(8 868)
Closing balance	<u>7 704</u>	<u>6 118</u>

During the current year conditional funds of R9 681 000 (2002/03 - R14 986 000) were received from the National Skills Fund for the purposes of establishing the Thuthuka Education Upliftment Project in the Eastern Cape. This amount was recognised as a liability until the conditions attached were met. During the year, R8 095 000 (2002/03 - R8 868 000) eligible project special expenses were incurred and a corresponding amount was recognised as revenue. At year end, R7 704 000 (2002/03 - R6 118 000) continues to be accounted for as a liability until the remaining conditions attached have been met.

### 4. INVESTMENT INCOME

	2003/04 (R'000)	2002/03 (R'000)
Interest	<u>8 785</u>	<u>8 200</u>

### 5. OTHER INCOME

Other income comprises :

	2003/04 (R'000)	2002/03 (R'000)
Grants from Government Departments for administration	<u>150</u>	<u>258</u>

*"We often call ignorant people stupid but by learning how to study you can achieve a lot of things and wash out stupidity. The difference between stupidity and genius is covered by study skills."*

2003 Participant in the Fasset-funded Guarantee Trust Holdings Project

## 6. ADMINISTRATION EXPENSES

The following items have been included in administration expenses :

	Note	2003/04 (R'000)	2002/03 (R'000)
Depreciation		156	148
Operating lease rentals		285	190
Loss on disposal of property, plant and equipment		-	8
Cost of employment	6.1	3 211	2 717
Reimbursement to members of the Accounting Authority		32	19
Auditor's remuneration		39	149
Consultancy and service provider fees		2 092	2 945
Prior years additional fee based on increased levy received in current year		158	295
Current year		1 934	2 650
<b>6.1 Cost of Employment</b>			
Salaries and Wages		3 112	2 677
Other salary related costs		99	40
		<u>3 211</u>	<u>2 717</u>
Average number of employees		14	11

Refer to the CEO's report for disclosure concerning the emoluments of executive members.

## 7. SKILLS DEVELOPMENT GRANTS PAYABLE

	Note	2003/04 (R'000)	2002/03 (R'000)
Opening carrying amount		31 226	21 390
Change in estimate related to the previous year		7 720	8 517
Amounts utilised		(38 946)	(29 907)
Additional provisions	1	33 800	31 226
		<u>33 800</u>	<u>31 226</u>
Provision for grants payable on SARS retrospective adjustments		597	-
Closing carrying amount		<u>34 397</u>	<u>31 226</u>

The provisions for Grants payable are expected to be paid out within 6 months of year-end. A computation was done whereby the Year 3 grants were used to calculate an estimated grant payout percentage. This is currently 63% (2002/03 - 55%).



## 8. ACCOUNTS PAYABLE

	2003/04 (R'000)	2002/03 (R'000)
Service provider fees	1 124	1 751
Trade payables	887	3 210
National Skills Fund project	394	-
Inter-Seta payables	2 805	-
Other accrued expenses	29	1 438
	<u>5 239</u>	<u>6 399</u>

## 9. VALUE ADDED TAX

	2003/04 (R'000)	2002/03 (R'000)
Closing carrying amount	<u>16</u>	<u>(286)</u>

The Revenue Laws Amendment Act, 2003 (Act No 45 of 2003) commenced on 22 December 2003. Previously, the definition of **enterprise** placed Seta listed in Schedule 3A within the scope of VAT. The Amendment Act, however, has amended this definition of enterprise and effectively places the public entity outside the scope of VAT. Nonetheless, the amended definition of enterprise will only come into operation on a date fixed by the President in the Government Gazette. There is uncertainty when the amended definition will commence, and it is not expected to commence before 1 April 2005, at the earliest.

The VAT dispensation on surplus Employer Grant levies is still subject to a final decision by the Ministers of Finance and Labour. The VAT output tax liability on the surplus of Employer Grants levies utilised for projects has been calculated as far as actual project expenditure has been incurred.

## 10. EMPLOYEE ENTITLEMENTS

	Employee Leave Provision	2003/04 (R'000)	2002/03 (R'000)
Opening carrying amount	123	123	-
Additional provisions	25	25	123
Closing carrying amount		<u>148</u>	<u>123</u>

*"The training session was very beneficial in the way that it helped me to visualise myself as a qualified Auditor soon to be a CA."*

2003 Participant in the Fasset-funded Auditor-General Bridging Project



## 11. DONOR FUNDING RECEIVED IN ADVANCE

	2003/04 (R'000)	2002/03 (R'000)
Opening balance	616	675
Utilised and recognised as income – conditions met	(599)	(59)
Closing balance	17	616

## 12. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2004			
Cost (R'000)	Accumulated Depreciation (R'000)	Net Book Value (R'000)	
Computer equipment	375	(265)	110
Computer software	36	(36)	-
Office furniture and fittings	228	(50)	178
Office equipment	190	(80)	110
Balance at end of period	829	(431)	398

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	636	(275)	361



*"I can now guarantee you that the investment that you made will reap great interest for you (Fasset) and our economy..."*

### Movement Summary 2004

	Net Book Value 2003 (R'000)	Additions (R'000)	Disposals (R'000)	Depreciation Charge (R'000)	Net Book Value 2004 (R'000)
Computer equipment	102	108	-	(100)	110
Computer software	-	-	-	-	-
Office furniture and fittings	132	67	-	(21)	178
Office equipment	127	18	-	(35)	110
	<u>361</u>	<u>193</u>	<u>-</u>	<u>(156)</u>	<u>398</u>

### Movement Summary 2003

	Net Book Value 2002 (R'000)	Additions (R'000)	Disposals (R'000)	Depreciation 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>

### 13. SKILLS DEVELOPMENT LEVY DEBTORS

	2003/04 (R'000)	2002/03 (R'000)
Admin levy debtors	2 624	2 817
Discretionary Grant debtors	2 624	2 817
Employer Grant levy debtors	15 744	16 899
Employers' receivable related to SARS retrospective adjustments	4 052	-
Overpayment of employer grants	4 207	-
Provision for doubtful debt	(155)	-
Amounts written off	-	-
	<u>25 044</u>	<u>22 533</u>

*"... thank-you for giving us the gift of opportunity and I wish the seeds you plant germinate beautiful flowers ..."*

Ezekiel Vilikazi

2004 Participant in the Fasset-funded St Mary's Outreach Project



#### 14. ACCOUNTS RECEIVABLE

	2003/04 (R'000)	2002/03 (R'000)
National Skills Fund project	-	824
Deposits	2	2
Prepaid expenses	28	25
Other receivables	-	2
	<u>30</u>	<u>853</u>

#### 15. CASH AND CASH EQUIVALENTS

	2003/04 (R'000)	2002/03 (R'000)
Cash at bank and in hand	7 525	8 752
Short-term bank deposits	79 434	91 885
	<u>86 959</u>	<u>100 637</u>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 9,5% (2003 : 12,2%).

#### 16. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET (DEFICIT) / SURPLUS

	2003/04 (R'000)	2002/03 (R'000)
Net (deficit) / surplus as per Statement of Financial Performance	(15 278)	43 440
Adjusted for non-cash items :		
Depreciation	156	148
Increase in provisions	25	123
Adjusted for items separately disclosed :		
Loss on sale of equipment	-	8
Investment income	(8 785)	(8 200)
Adjusted for working capital changes :		
Increase in levy debtors	(2 511)	(6 804)
Increase in grants payable	3 171	9 836
Decrease / (Increase) in accounts receivable	823	(830)
Increase / (Decrease) in accounts payable	129	(51)
Net cash flow from operating activities	<u>(22 270)</u>	<u>37 670</u>



## 17. CONTINGENCIES

### Contingent Liabilities

#### 17.1 Surplus Funds

In terms of the Public Finance Management Act, 1999 (Act No 29 of 1999) as amended, all surplus funds at year-end may be forfeited to National Treasury.

	Note	2003/04 (R'000)	2002/03 (R'000)
Discretionary Fund Reserve	18.1	64 910	80 188
Total funds per Statement of Financial Position		64 910	80 188

#### 17.2 VAT on Surplus Funds on Employer Grant levy (70%) to be used for Projects

The Employer Grant levy (70%) that was previously VAT neutral, becomes VATable when the surplus is used for projects. This VAT output tax liability provided in the Financial Statements (refer to Accounting Policy XII and Note 9 to the Financial Statements) has been calculated as far as actual project expenditure has been incurred.

A contingent liability exists for output VAT of R4 248 000 (2003 : R6 663 000) on the balance of the surplus of the Employer Grant levy (70%) that is expected to be paid out on projects.

## 18. COMMITMENTS

### 18.1 Discretionary Grant Reserve

Discretionary grants are not accrued until a contractual obligation exists, even if applications have been approved at year end.

Of the cumulative balance of R122 083 000 available for the allocation to projects, R91 760 000 has been approved and allocated to projects as set out below. A further R28 337 000 has been earmarked for specific projects. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the Statement of Financial Performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury.

*"Study skills have taught me skills that will not only be useful to me but every single person I know. Who thought studying could be fun?"*

2003 Participant in the Fasset-funded Guarantee Trust Holdings Project

<b>Name of Project – Year 1 Project Fund</b>	<b>Approved by Accounting Authority (R'000)</b>	<b>Cumulative Amount utilised at 31 March 2004 (R'000)</b>
Marketing Campaign (closed)	1 875	1 875
SGB Project (closed)	204	204
Assessor Training (closed)	750	750
QMS System (closed)	164	164
SMME WSP Intervention (closed)	2 290	2 290
SMME CPE Subsidy (closed)	310	310
SMME CPE I (closed)	199	199
SMME CPE II (closed)	245	245
SMME CPE III (closed)	287	287
SMME Learnership Grants (closed)	1 455	1 455
Research (closed)	1 625	1 625
NSA Emerge Project (closed)	1 205	1 205
Access College Phase 1 (closed)	553	553
Auditor-General Bridging Project 2002 (closed)	637	637
SDF Capacity Building (closed)	750	750
St Mary's Outreach Project 2002 (closed)	486	486
PAAB Black Advancement Programme 2002 (closed)	650	650
Access College Phases 2 and 3 (closed)	1 636	1 636
SGB Extended Scope (closed)	25	25
IPFA Public Finance Learnerships	3 199	1 446
	<hr/> 18 545	<hr/> 16 792
 <b>Name of Project – Year 2 Project Fund</b>		
Assessor and Provider Training (closed)	350	350
ETQA Agent Capacity Building (closed)	100	100
Learnership – Securities Markets (closed)	278	278
Learnership – Entry Level (closed)	613	613
SMME WSP Intervention (closed)	2 000	2 000
Research (closed)	200	200
SDF Capacity Building (closed)	679	679
Marketing Campaign (closed)	678	678
SMME CPE I (closed)	250	250
SMME CPE II (closed)	290	290
SMME CPE III (closed)	280	280
SGB Financial Markets (closed)	12	12
St Mary's Outreach Project 2003 (closed)	608	608
PAAB Black Advancement Programme 2003 (closed)	790	790
Auditor-General Bridging Project 2003 (closed)	639	639
Learnership – Management Consulting	4 200	2 750
Learnership Grant	6 000	2 149
Project Management	1 710	1 703
Thuthuka CTA/QE Project 2003	4 211	3 371
	<hr/> 23 888	<hr/> 17 740



<b>Name of Project – Year 3 Project Fund</b>	<b>Approved by Accounting Authority (R'000)</b>	<b>Cumulative Amount utilised at 31 March 2004 (R'000)</b>
SMME CPE I (closed)	280	280
SMME CPE II (closed)	200	200
SMME CPE III (closed)	371	371
CPE Learners I (closed)	352	352
CPE Learners II (closed)	448	448
CFA Learnership Preparedness Programme (closed)	2 986	2 986
Edumap Enrichment Project (closed)	1 198	1 198
Xenium Securities – Stock Broking Employment Readiness Course (closed)	1 621	1 621
Guarantee Trust Holdings – Unemployed Tertiary Accounting Graduate Support Programme (closed)	657	657
CPE JSE (closed)	219	219
Learnership Gap Analysis	250	106
Assessor Training and Provider Capacity Building	350	176
SMME Intervention	1 500	872
SDF Capacity Building	900	603
Research	250	21
Marketing	1 080	813
Investors in People	400	49
Transformation Strategy	1 000	481
ORT Careers Course	2 886	2 611
Thuthuka EUPEC English Project 2003 - 2004	5 511	4 046
Guarantee Trust Holdings – Unemployed Tertiary Accounting Graduate Support Programme Phase II	1 787	1 773
Thuthuka CTA/QE 2004 - 2005	7 193	-
Progression Options CC	1 682	1 574
St Mary's Outreach Project 2003 - 2005	523	30
Moores Rowland – Undergraduate Academic Assistance Programme	157	41
Scimathus – Science and Mathematics Second Chance Programme	481	86
Auditor – General Kentron Bridging Project 2004 - 2005	847	141
Centralised Marketing Function	382	85
Guarantee Trust Holdings – Unemployed Tertiary Accounting Graduate Support Programme Phase III	1 809	300
ORT Careers Course Phase II	3 107	-
	<u>40 427</u>	<u>22 140</u>
<b>Name of Project – Year 4 Project Fund</b>		
CPELs	4 000	85
Learnership Implementation Tools	2 500	103
Strategic Marketing	1 050	278
CPEs	1 350	35
	<u>8 900</u>	<u>501</u>
<b>Total – Year 1, 2, 3 and 4 Project Funds</b>	<u>91 760</u>	<u>57 173</u>



## 18.2 Operating Leases

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

	2003/04 (R'000)	2002/03 (R'000)
Not later than one year	355	214
Later than one year and not later than five years	122	303
	<u>477</u>	<u>517</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%.

## 19. FINANCIAL INSTRUMENTS

The Seta's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instrument was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument :

### Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

### Account and other Receivables

The carrying amount of account and other receivables, net of provision for bad debt, approximates fair value due to the relatively short-term maturity of these financial assets.

### Account and other Payables

The carrying amount of account and other payables approximates fair value due to the relatively short-term maturity of these financial liabilities.

## 20. IRREGULAR, FRUITLESS OR WASTEFUL EXPENDITURE

To the best of the Accounting Authority's knowledge, no material losses through criminal conduct, or irregular, fruitless or wasteful expenditure were incurred during the year ended 31 March 2004.



# Annexure to the Annual Financial Statements at 31 March 2004

## ANNEXURE A : RECONCILIATION WITH CASH INFORMATION PER ECONOMICAL CLASSIFICATION

	2003/04 (R'000)	2002/03 (R'000)
<b>CASH RECEIPTS</b>		
<b>Non tax receipts :</b>		
Sales of goods and services produced	150	258
SDL : Fines and penalties	776	717
Transfer receipts from :	81 255	102 746
Department of Labour	71 574	87 760
National Skills Fund	9 681	14 986
<b>Total cash received from operations</b>	<b>82 181</b>	<b>103 721</b>
<b>CASH PAYMENTS</b>		
Compensation of employees	(3 063)	(2 594)
Goods and services	(101 388)	(63 457)
<b>Total cash expenditure from operations</b>	<b>(104 451)</b>	<b>(66 051)</b>
<b>Cash generated from operations</b>	<b>(22 270)</b>	<b>37 670</b>
Cash receipts	8 785	8 200
Interest	8 785	8 200
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(13 485)</b>	<b>45 870</b>
<b>Cash flow from investing activities</b>		
Cash receipts on sale of capital assets	-	25
Other capital assets	-	25
Cash payments on capital assets	(193)	(137)
Machinery and equipment	(193)	(137)
Net cash (decrease) / increase in cash and cash equivalents per Cash Flow Statement	<b>(13 678)</b>	<b>45 758</b>

*"I never thought I'll find myself in a path that leads me to having a better view of what I want to be in life ie, one of these inspiring, hard working, dedicated, committed and motivated Chartered Accountants..."*

David Ndlovu

2002 Participant in the Fasset-funded St Mary's Outreach Project



# 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 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 Target
1.1	By March 2005, 70% of all workers have at least a Level One qualification on the National Qualifications Framework (NQF)	85% of all workers have at least a Level One qualification on the NQF	97%	85% (34 100) of all workers have at least a Level One 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 15% of workers to have embarked on a structured learning programme, of whom at least 35% have completed their programme satisfactorily	78% of workers reported on earmarked training	A minimum of 25% (10 029) of workers to have embarked on a structured learning programme, of whom at least 35% (14 041) 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 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	14 organisations committed to the IIP standard (12 through a pilot delivery project and two through the original channel). An additional two (including Fasset) have achieved the standard	A minimum of 20 enterprises within Fasset's sector to be committed to, or have achieved, an agreed national standard to promote good practice in skills development

## NSDS Objective 2 :

Fostering skills development in the formal economy for productivity and employment growth

	NSDS Target	Fasset 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 Target
2.1	By March 2005, 75% of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits are measured	85% of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits are measured	88%	85% (38) of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits are measured
2.2	By March 2005, at least 40% of enterprises employing between 50 and 150 workers are receiving skills development grants, and the contributions towards productivity and employer and employee benefits are measured	At least 35% of enterprises employing between 50 and 150 workers are receiving skills development grants, and the contributions towards productivity and employer and employee benefits are measured	40%	At least 40% (66) of enterprises employing between 50 and 150 workers are receiving skills development grants, and the contributions towards productivity and employer and employee benefits are measured



	NSDS Target	Fasset 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 Target
2.3	By March 2005, learnerships are available to workers in every sector	At least 18 learnerships are available to learners with at least one learnership being available per sub sector	19	At least 20 learnerships are available to learners with at least one learnership being available per sub sector
		At least one skills programme in all sub sectors with a minimum of 50 skills programmes having been implemented across the sector	33 Short course providers participated in an accreditation process	
		At least 6 500 employees are registered on learnerships and 300 on skills programmes	11 716	At least 10 000 employees (cumulative) are registered on learnerships
2.4	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. Government departments include the Office of the Auditor-General, SARS, the National and Provincial Treasuries and Setas	12	At least four government departments plan for and budget 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, Setas and other public entities

### NSDS Objective 3 :

Stimulating and supporting skills development in Small, Medium, Micro Enterprises (SMMEs)

	NSDS Target	Fasset 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 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 20% of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support is measured	29%	At least 20% (1 513) of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support is measured

*"I would like to be a Financial Manager in the future, but Debt Recovery Agent; it's a start for me."*

2003 Participant in the Fasset-funded ORT Careers Course Project



#### NSDS Objective 4 :

Promoting skills development and access to jobs and sustainable livelihoods through social development initiatives

NSDS Target	Fasset 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 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	R35 483 987 approved for the Thuthuka Eastern Cape project for 2002 - 2004. R7 740 056 approved to fund SAICA capacitation of SMME workplace providers project. R75m approved for the Thuthuka Limpopo / KwaZulu-Natal project for 2004 - 2006. Total claimed by sector is R118 224 043 (189%). Further, accounting, auditing and financial management, identified as critical scarce skills, over R100m allocated for bursaries through the National Financial Aid Schemes	For projects submitted via Fasset or our sector 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

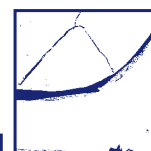
NSDS Target	Fasset 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 Target
5.1 By March 2005, a minimum of 80 000 people under the age of 30 have entered learnerships	A minimum of 1 200 people under the age of 30 have entered learnerships and 150 have entered skills programmes	9 607 (Learnerships)  33 Short course providers participated in an accreditation process	A minimum of 3 000 (cumulative) previously unemployed people under the age of 30 have entered learnerships (previously unemployed people being defined as people that have not previously worked on a permanent contract with the company, in terms of the Basic Conditions of Employment Act)



NSDS Target	Fasset 2003 - 2004 Target	Achievement	Fasset 2004 - 2005 Target
5.2 By March 2005, a minimum of 50% of those who have completed learnerships are, within 6 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	1 749 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

## B. Management Board Members

Name	Representing	Constituency	Organisation	Meetings Attended	Race	Gender	Participation in Working Committees
Hannetjie Botma	Employees	Trade Unions	PSA	3	White	Female	
Robert Capper	Employers	Large Accounting and Auditing Practices	Pricewaterhouse-Coopers	3	White	Male	(Chairman : 6/2003 - 9/2003 - resigned) EXCO
Annette de Klerk	Employees	Professional Bodies	CFA	4	White	Female	Audit
Robin Dixie	Employers	Small Micro Medium Enterprises	Robin Dixie, CFA	4	White	Male	Quality Assurance & Learnerships
Ashley Ross replaced by Christa du Plooy (11/2003)	Employees	Trade Unions	PSA	0 2	White White	Male Female	
Cheryl James	Fasset CEO		Fasset	4	White	Female	EXCO; Remuneration; Finance
Bethwell Jwili	Employees	Professional Bodies	Institute of Municipal Financial Officers	3	Black	Male	
Linah Kekana	Employees	Trade Unions	NEHAWU	2	Black	Female	
Obadiah Kwinana (resigned 3/2004)	Employers	The State	National Treasury	1	Black	Male	
Andre Oldknow replaced by Rodney Lucas (11/2003)	Employers	Business and Management Consulting	Ernst & Young	2 2	White White	Male Male	
Witness Magoswana	Employees	Trade Unions	NEHAWU	3	Black	Male	EXCO; Audit
Ettiene Retief	Employers	Tax Services	Financial Tax and Remuneration Services	4	White	Male	Finance
Bill Shellard	Employees	Professional Bodies	IIA	3	White	Male	EXCO; Finance; Remuneration
Graham Terry	Employees	Professional Bodies	SAICA	3	White	Male	(Vice-Chairman) EXCO; Remuneration
Mpuseng Tlhabane	Employers	Securities and Stock Brokers	Johannesburg Securities Exchange	3	Black	Female	EXCO; Remuneration
Maryanne Trollope	Employers	Investment Entities and Trusts	Anglo Operations Limited	4	White	Female	(Chairman from 9/2003) EXCO; Communications
Roger Wadsworth	General	General	Deloitte	2	White	Male	Skills Planning



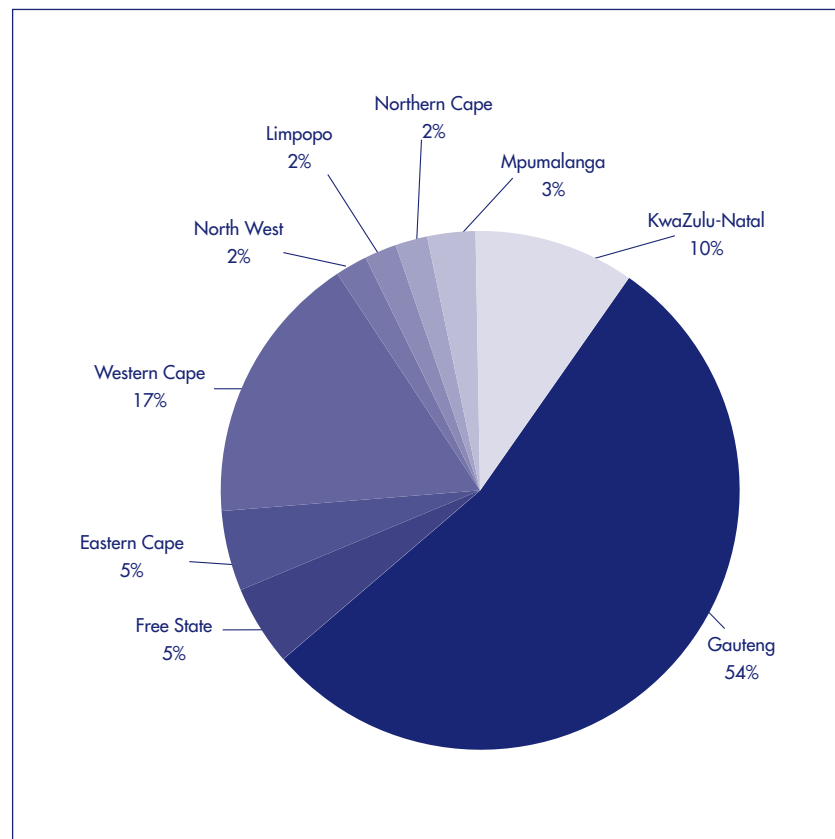
## C. Sector Statistics

*Distribution of Workers in the Sector According to Occupational Category and Gender*

Occupational Category	Male (%)	Female (%)	Total (%)
Legislators, Senior Officials, Managers & Owner Managers	75	25	100
Professionals	59	41	100
Technicians & Associated Professionals	51	49	100
Clerical & Administrative Workers	23	77	100
Service & Sales Workers	47	53	100
Skilled Agricultural & Fishery Workers	73	27	100
Skilled Workers, Craft & Related Trades	96	4	100
Plant & Machine Operators and Assemblers	92	8	100
Labourers & Elementary Occupations	52	48	100
<b>Total Sector Composition</b>	<b>44</b>	<b>56</b>	<b>100</b>

Source : Calculated from WSPs submitted to Fasset in 2002/2003.

*Provincial Distribution of Employees*

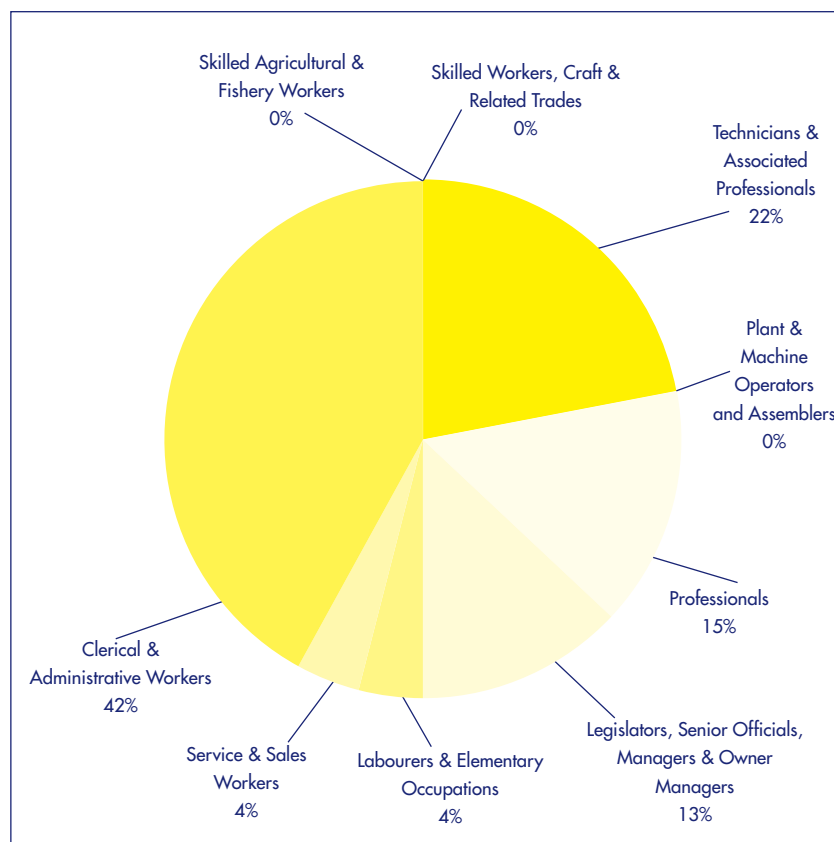


Sources : Calculated from Fasset Sector Study (2002) and WSPs submitted in various financial years by SARS, the National Treasury and two Provincial Treasuries.



*"I really enjoyed the course, it helped me and is going to help me a lot as I wish to further my studies, I will definitely need these study skills... you have really made me a better student or even a better person."*

Occupational Composition of the Sector



Source : Calculated from WSPs submitted to Fasset in 2002/03.

Size Distribution of Organisations in the Sector

Organisation Size (Number of Employees)	Organisations		Employees	
	(N)	(%)	(N)	(%)
1 - 9	5 883	82	22 455	21
10 - 19	816	11	10 667	10
20 - 49	279	4	7 495	7
50 - 149	174	2	14 076	13
150 +	61	1	51 166	48
<b>Total</b>	<b>7 213</b>	<b>100</b>	<b>105 859</b>	<b>100</b>

Sources : Calculated from Fasset Sector Study (2002) and WSPs submitted in various financial years by SARS, the National Treasury and two Provincial Treasuries.

"Perhaps, BDO stands for Building, Development and Overcoming. Perhaps FASSET stands for Future, Accreditation, Success, Solution, Empowerment and Training. Perhaps, FTC stands for Focus, Thinking and Confidence."

Fhumulani Patrick Rabonda

2004 Participant in the Fasset-funded BDO Spencer Stewart Workplace Readiness Project



## D. Social Development Projects

Project	Fasset Funding (R'000)	Beneficiaries (Number)	Status	Race				Gender	
				A	I	W	C	M	F
<b>Year 1 (Y1)</b>									
National School of Accounting Emerge Project	1 205	32	Closed	32				13	19
Access College Phase 1	553	15	Closed	10	2	2	1	9	6
Auditor-General Bridging Project 2002	637	20	Closed	20				10	10
St Mary's Outreach Project 2002	486	25 Grade 11 Learners	Closed	25				7	18
PAAB Black Advancement Programme 2002	650	115	Closed	39	52		24	74	41
Access College Phases 2 and 3	1 636	17 Disabled	Closed	14		1	2	11	6
<b>Year 2 (Y2)</b>									
St Mary's Outreach Project 2003	608	48	Closed	48				17	31
PAAB Black Advancement Programme 2003	790	102	Closed	102				60	42
Auditor-General Bridging Project 2003	639	20 Matriculants	Closed	20				9	11
Thuthuka CTA/QE Project (SAICA) 2003	4 211	79	Current	79				31	48
<b>Year 3 (Y3)</b>									
CFA Learnership Preparedness Programme (LPP)	2 986	100	Closed	80	11		9	45	55
Edumap Enrichment Project	1 198	30 Matriculants	Closed	30				14	16
Xenium Securities - Stock Broking Employment Readiness Course	1 621	50	Closed	45	4		1	24	26
GTH - Unemployed Tertiary Accounting Graduate Support Programme	657	20	Closed	20				7	13
ORT Careers Course	2 886	409	Current	333	3	73		144	265
Thuthuka Eastern Cape English Project 2003 - 2004	5 511	2 400	Current	2 318			82	1 043	1 357
GTH - Unemployed Tertiary Accounting Graduate Support Programme - Phase II	1 787	50	Current	50				20	30
Thuthuka CTA/QE 2004 - 2005	7 193	133	Current	131			2	69	64
Progression Options CC	1 682	45 Disabled	Current	41	1	2	1	29	16
St Mary's Outreach Project 2003 - 2005	523	25	Current	25				10	15
Moore's Rowland - Undergraduate Academic Assistance Programme	157	20	Current	8	1	5	6	7	13
Scimathus - Science and Mathematics Second Chance Programme	481	28	Current	1			27	15	13
Auditor-General Bridging Project 2004 - 2005	847	20 Matriculants	Current	20				12	8
GTH - Unemployed Tertiary Accounting Graduate Support Programme - Phase III	1 809	48 (2 Disabled)	Current	46 (2)	2			8 (1)	40 (1)
ORT Careers Course - Phase II	3 107	480	Current						
<b>Year 4 (Y4)</b>									
BDO Spencer Stewart Workplace Readiness Programme	1 524	175	Contracting	24			1	16	9
CIMA Tirisano Learnership Programme	788	10	Contracting						
Thuthuka Undergraduate Programme	2 000	40	Contracting						
Thuthuka Workplace Readiness Programme	408	360	Contracting						
<b>Total</b>	<b>48 580</b>	<b>4 768</b>							

### Key

- A African
- I Indian
- W White
- C Coloured
- Learners still being selected



# Acronyms

ACFIST	Standard Generating Body for Accounting and Auditing
ATR	Annual Training Report
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFA	Institute of Commercial and Financial Accountants of Southern Africa
CIMA	Chartered Institute of Management Accountants
CPE	Continuous Professional Education
DoL	Department of Labour
ETQA	Education and Training Quality Assurance
EUPEC	Education Upliftment Project (Eastern Cape)
EXCO	Executive Committee
Fasset	Financial and Accounting Services Sector Education and Training Authority
FSA	Fasset Skills Advisor
GAAP	Generally Accepted Accounting Practice
GTH	Guarantee Trust Holdings
HSRC	Human Sciences Research Council
IIA	Institute of Internal Auditors
IIP	Investors in People
ITR	Interim Training Report
NEHAWU	National Education Health and Allied Workers Union
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDS	National Skills Development Strategy
NSF	National Skills Fund
ORT	Organisation for Resources and Technical Training
PAAB	Public Accountants' and Auditors' Board
PDI	Previously Disadvantaged Individual
PFMA	Public Finance Management Act (1999)
PSA	Public Servants Association
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SCG	Strategic Cash Grant
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDLA	Skills Development Levies Act (1999)
Seta	Sector Education and Training Authority
SGB	Standard Generating Body
SMME	Small, Medium, Micro Enterprise
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)
Y4	Year 4 (1 April 2003 to 31 March 2004)
Y5	Year 5 (1 April 2004 to 31 March 2005)





INVESTOR IN PEOPLE



FASSET



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