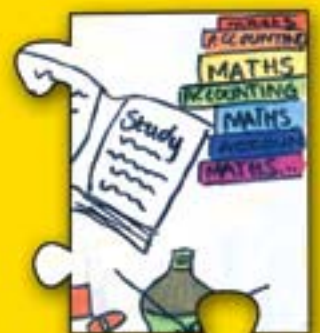




# FASSET ANNUAL REPORT

1 April 2004 to 31 March 2005





## 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 National Qualifications Framework (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 (EEA);
- 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.



In 2004, Fasset introduced an annual artwork competition for participants in our social development projects. The goal of the competition was to facilitate the creation of an original cover design for Fasset's Annual Report, as well as to enable learners to express their creativity and exhibit some of the skills learnt in the Life Skills courses that form part of the projects.

Cover Graphic Acknowledgement : Project Participants, Fasset Auditor-General Bridging Project 2004, for their pictorial representation of skills development in practice.

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# Chairman's Foreword

## YEAR 5



Honourable Minister, it is with pleasure that we present to you the Annual Report of the Financial and Accounting Services Seta (Fasset) for the period 1 April 2004 to 31 March 2005. This was the fifth year of our operation (Y5) and the final year of Fasset's existence in terms of the initial Seta landscape determined by the Department of Labour (DoL) via the Skills Development Act, 1998 (Act No 97 of 1998), as amended

(SDA) and the Skills Development Levies Act, 1999 (Act No 9 of 1999) (SDLA). At the same time, it sees the end of the first phase of DoL's National Skills Development Strategy (NSDS), which ran to 31 March 2005. An overview of Fasset's functioning and performance against this first five-year NSDS (Y1 – Y5) is also provided in the Fasset Five Year Overview, included as an insert in this Report.

The past five years of hard work, dedication and commitment by the Seta in meeting its targets – and indeed, in many instances, exceeding those targets – ensured that, with the Seta landscape revision undertaken by DoL during the period, Fasset was re-licensed to continue operating in its current form for the second phase of the NSDS. This period runs to 31 March 2010 (Y6 – Y10). We are indeed looking forward to tackling, with passion, the new challenges facing us in the forthcoming period.

## FINANCIAL INFORMATION

During the period under review, Fasset was financed predominantly from skills development levies paid in accordance with the 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 DoL's National Skills Authority (NSA) for purposes of funding national skills development initiatives
- 80% of funds paid to SARS transferred to Fasset, which funds may be used as follows :
  - 10% Administrative costs
  - 70% Available for grants

Levy paying members were able to access four grants made available during the period, viz :

- Mandatory grants
  - Workplace Skills Plan (WSP) Grant
  - Annual Training Report (ATR) Grant
- Discretionary grants
  - Strategic Cash Grant (SCG)
  - Previously Disadvantaged Individual (PDI) Learnership Grant

I believe it is appropriate that we mention again this year, as we did in our last Report, that all unclaimed budgeted grant funds, amounting to R76 288 000 for the period to date, have been allocated to strategic projects identified by the Management Board. I reiterate this point again this year : all budgeted income for the first five years of Fasset's existence, has either been spent or formally allocated to specific skills development projects for the sector. It is important for us to ensure a common understanding of what we mean by this statement so as to prevent misunderstandings in the public arena, as has so often happened in the past. The importance of this statement is that while our Financial Reports may reflect unspent monies in the Fasset bank account, the situation is that Generally Accepted Accounting Practice (GAAP) does not allow for committed funds to be reported as a liability. This creates the impression of unspent funds. However, there is in fact no money available at all, ie 100% of budgeted funds have been either spent or formally allocated to formally approved projects which are currently in progress and on which payment is due only on full completion of all deliverables. Obviously, with large and/or complicated projects, finalisation of all deliverables can take up to 3 or 4 years, during which time the allocated funding is held in trust and is therefore reflected in the Fasset accounts.

Full financial details are provided later in this Report (see pages 15 to 37).

Fasset received additional 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 on page 8 of this Report. Additional NSF funding was also approved by the Minister during the period for purposes of expanding the Education Upliftment Project into Limpopo and KwaZulu-Natal - this on the basis of the already obvious and proven successes quickly achieved by the project in the Eastern Cape. Furthermore, a two year extension of the original EUPEC project was approved by the Minister's office. Total NSF funding for these projects amounts to R139 643 000.

## FOCUS AND ACHIEVEMENTS

The year under review saw efforts focused on ensuring targets against the first NSDS were met, and that all unclaimed monies

were either spent or allocated to effective and appropriate skills development initiatives for the benefit of and the upliftment of skills in the sector. Not only were all unclaimed monies spent or allocated, but we can unequivocally state that Fasset is a genuine Seta success story and a great deal should be said of our achievements in other areas. These include learners signed to learnerships; participation of small, medium and micro enterprises (SMMEs); social development projects (specifically geared to transformation of the sector in order to redress our skewed demographic profile); and in many other areas, all of which are fully reported on by the Fasset CEO in the spirit of celebration urged on us by you, Mr Minister : “We need to celebrate our achievements and shine on where we have made a difference in our people’s lives ... Let us celebrate these achievements and I think it is proper that we pause to acknowledge the contribution made by the following Setas, for their tireless efforts, for surpassing the GDS targets and for positively responding to our learnership campaign : ... Fasset ... Well done to every one of you who made it possible for us to achieve these targets.” (Minister MMS Mdladlana : NSDS Conference, 3/2005.)

Improving access for unemployed learners into the mainstream economy is one of the key objectives of the NSDS and the issue of transformation needs to be highlighted. This remains a major challenge for Fasset and the sector, given the nature of the sector, and our sector statistics reveal the dire need for transformation (see pages 42 to 43 of this Report). At the same time, it is important to recognise that good progress has already been made, that ours is a sector being transformed, and that Fasset is well prepared and positioned to take a leading role in assisting the sector to transform and to reflect the true dynamics of our population.

### **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 a Fraud Prevention Plan and to give effect to the Fraud Policy Statement.

At the NSDS Conference held in March 2005, you warned us, Mr Minister : “The next five years will be full of challenges and may be more difficult than the first ... In his State of the Nation Address on 11 February 2005, the President of our country, Comrade Thabo Mbeki, with regard to skills development, he said : ‘More work will have to be done to raise the skills level of our people’. The President has spoken; more work will have to be done during the next five years ... It is my belief that through the NSDS 2005 – 2010, together with our social partners, we will support the broader goals of government to halve unemployment and poverty, and reduce inequality by 2014, and further to ensure that the institutions of skills development, which in the main are the Setas and the NSF, use their resources to advance our skills revolution. ... The targets ... are no less ambitious to those that were contained in our NSDS 2001 – 2005. I have no doubt in my mind, that as long as we continue to share a common vision on what our strategy intend(ed) achieving and remain committed to its guiding principles, nothing will stop us from realising our skills revolution objective ... I know that some Setas were completely new entities in the field of skills developments (sic). I am grateful that collectively, despite all the hardships ... you have made a difference to the lives of the ordinary South Africans. The unfortunate thing with me is that the more you give, the more I expect from you ... Let us start the new financial year with renewed energies to be able to implement the adjusted strategy for 2005 – 2010. Let the experiences and lessons learnt be the torch as we navigate our way in the five years ahead of us.”

Fasset is up to the challenge, Mr Minister. We are delighted to be part of the skills revolution in South Africa. We will continue striving to build skills in the sector, to transform the sector, to build awareness around skills development in the sector, and to ensure we retain the unquestionable support of all our stakeholders.

Having said that, we are extremely cognisant of the fact that none of our achievements would have been possible without the full commitment and support of each and every one of our sector stakeholders - organised business, organised labour, the Management Board, our professional bodies, the Fasset staff, and of course, the learners themselves. We thank each and every one of you for your exceptional commitment and very hard work over the past five years and look forward to an equally exciting second five-year term.

**MARYANNE TROLLOPE**

**Chairman**

**22 July 2005**



# Chief Executive Officer's Report

## REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA.



### INTRODUCTION

We have now completed the first five years of the NSDS, which ended on 31 March 2005.

Although this period was, in general, focused on getting structures, systems and processes in place, Fasset was also able to start delivering on its targets relatively quickly. We can report, therefore, that undoubtedly, the skills revolution has already taken

off in our sector and that, as at the end of the period under review, a detailed reading of our Report will reveal that Fasset has indeed made an indelible difference to skills upliftment in the sector.

This year saw a great deal of public debate and speculation regarding the Setas, their performance and their continued existence, as we approached the end of the first five year period of the national skills development programme initiated by DoL in 2000. We were extremely gratified by the public support that Fasset received in terms of its performance and continued existence, and it is appropriate for us to highlight here, for all interested stakeholders, the very good work that Fasset has done in driving skills development into the sector.

When the Minister of Labour highlighted the successes of the skills development initiative at the NSDS Conference in March 2005, he confirmed that "... ever since I launched the NSDS in 2001, more and more young people had (sic) been enjoying opportunities to become involved in skills development". The results of Fasset's work in the areas of signing learners onto learnerships, Continuous Professional Education (CPE) and social development projects will attest to this.

At the same time, the Honourable Minister Membathisi S Mdladlana reiterated his full support of the retention of the Setas, saying their role in the transformation of all aspects of education was invaluable to society. He said that substantial research, consultation and negotiation ... had shaped them into organs of people's power capable of achieving their mandate. "I know that they have sufficient legal, financial and administrative powers to get their work done. I also know that more work is needed to ensure that Setas play their part to extend relevance, the transformation and democratisation of all aspects of education, training and development in our country to empower our people."

This Report will reveal that Fasset is indeed getting its work done, and in many instances, exceeding those work objectives. This is most effectively demonstrated in the report on achievement against the NSDS targets provided in Appendix A of this Report.

We are proud of our achievements and believe this to be an opportune time to highlight some of our major achievements, and succinct details on core activities are provided below.

### LEARNERSHIPS

The number of learners signed onto learnerships is often (erroneously) regarded as the only hallmark of a Seta's success. Regardless, we are very pleased to report that Fasset has acquitted itself extremely well on this front, as we have on others.

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, and we take this opportunity to express our gratitude to the professional bodies in the sector for their unstinting support and co-operation and their partnering with us in ensuring our targets were not only met, but in many instances, substantially exceeded. The significance of these achievements becomes more apparent when read in conjunction with the targets against which they are measured (see pages 38 to 40).

Of the total intake of 20 621 learners registered on Fasset learnerships to the end of Y5, of which 3 301 were signed on during the period under review, :

- 13 610 are 18.1 learners (previously employed)
- 7 011 are 18.2 learners (previously unemployed)
- 9 274 have already completed their learnership
- 18 861 are under the age of 30
- 11 383 are currently registered (3/2005)

Obviously, a great deal of work (including marketing and incentivisation) has been done in terms of driving the concept of learners strongly into the sector, and more particularly, the signing of PDIs onto Fasset learnerships. The percentage of 18.2 PDI learners has increased from 32% in Y1 to 40% in Y5. During the period under review, the sector was again incentivised in this area by way of a PDI Learnership Grant (see statistical analysis in Table 1 below). 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

Table 1 : PDI Learnership Grant

	Y4	Y5
Number of Applications (Employer Organisation)	185	210
Grant Amount (Per Employer Organisation)	R25 000	R25 000
Total Grant Spend	R4 625 000	R5 250 000

believe that the tax incentives legislated by the Minister of Finance some years ago, continue to provide this sector with a strong incentive to sign learners onto learnerships and strongly support this, and any other similar incentive, initiated by other government departments. (It is important to note that the percentage of female learners in the Fasset sector has already reached 48% and the Fasset sector does not, therefore, evidence a gender problem. For this reason, the PDI term as used by Fasset, refers to disabled learners and those who are of African, Indian or Coloured descent.)

The national shortage and high need, across all sectors, for financial skills is generally known and Fasset is committed to increasing financial skills generally in South Africa, and not just in the Fasset sector. To this end, 21 Memorandums of Understanding (MoUs) have been signed with other Setas, and inter-Seta relationships are fostered in order to allow South Africans in other sectors of the economy to undertake the high-quality Fasset learnerships we have made available. Conversely, of course, learners from the Fasset sector are also able to embark on learnerships in these other 21 sectors. To date, 121 learners outside of the Fasset sector have been signed onto Fasset learnerships (89 during the period under review).

Fasset, as the sector Seta, is responsible for ensuring that appropriate learnerships are available in the sector. We continue to make good progress with the development and registration of learnerships and are able to report 3 additional learnerships made available during Y5 of our operation. These are :

- Office Administration (level 5) - the need for this learnership was identified by the learnership research undertaken during the previous period, ie Y4
- Small Business Financial Management (level 4) – this learnership is ideal for new venture targets
- Technical Financial Accounting (level 5) – an accounting learnership

A qualification and specific unit standards for Debt Collection were registered by the South African Qualifications Authority (SAQA) in December 2004. Although the qualification was developed as a Fasset initiative, it was successfully embarked upon in conjunction with SAQA in the first Joint Implementation Plan (JIP) that the Seta has ever experienced. The development of a learnership for this sub-sector is set to continue in the 2005/06 financial year and is scheduled for piloting during the Y7 period.

The IPFA (Institute for Public Finance and Auditing) learnership (Phase 1) was successfully piloted during the year and 17 public sector learners obtained their learnership certificates. Public sector interest in this learnership is growing and we are extremely excited to be working in partnership with the Public Services Seta (Pseta) and with Didteta (Seta for Diplomacy, Intelligence, Defence and Trade) to place a substantial number of learners onto this learnership in the next period.

Five existing learnerships were discontinued during the period as we took positive steps to revise existing learnerships and ensure only relevant Fasset learnerships were available, rather than fall into the trap of chasing learnership numbers just for the sake of meeting numerical targets.

Much work has been done to produce user-friendly, supportive Learnership Implementation Tools for use in the sector, in order to ensure that the learnership process becomes easier for employers and learners. This includes CD information kits containing summaries, curricula, assessment guides, application forms, etc, as well as informative brochures, roadshows, workshops, assessor training sessions, etc.

## QUALITY ASSURANCE

As reported in the previous period, Fasset's partnering approach has ensured ease in accrediting most of the sector's professional bodies with qualifications under Fasset's scope as agent Education and Training Quality Assurance Bodies (ETQAs) and to date 5 agent ETQAs have been accredited.

SAQA conducted compliance audits on all ETQAs during the period and we were most gratified to receive a clean audit. Of interest to stakeholders may be two strengths identified by the audit, ie :

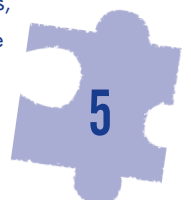
- 1) The agent ETQA model has proven itself to be an excellent way of ensuring active participation of the professional bodies
- 2) The model has improved compliance at provider level and increased the credibility of the industry and there is real potential for roll-out of the model in the entire ETQA system

An additional 86 workplace providers were accredited for the implementation of Fasset learnerships during the period, bringing the total number of accredited workplaces to 475 (Y4 figures reported were 85 and 389 respectively).

The previous period saw Fasset embark on the process of accreditation of private education providers. To date, 10 short course providers have been accredited and 5 providers are in process.

Quality assurance is continuous and Fasset has started in earnest the task of monitoring workplace sites in order to ensure that accreditation is maintained, to ensure that providers are indeed still providing the requisite training, as well as to recommend best practice. We are pleased to report that few problems were evidenced in the overwhelming majority of visits. Further, of the 309 assessors trained over the last 5 years, 150 have already been registered.

Communication around this rather complicated area of our functioning, which often leads to frustration and delay, became an important issue, which we addressed with a variety of leaflets, brochures and face-to-face communication opportunities. We believe the communication drive has significantly improved



stakeholder access to information in a systematic, transparent and branded fashion, whilst ensuring that it remains user-friendly and provides value.

## SKILLS PLANNING

Our fifth year of operation has again seen an increase in participation by our levy paying members. WSP submissions sometimes serve as a barometer of stakeholder support for the Seta and its efforts in terms of the NSDS, and based on the number of WSPs submitted, we can confidently say that Fasset indeed enjoys strong stakeholder support by its sector. Our continued support for smaller employers by way of Fasset Skills Advisors (FSAs), has supported our drive to further increase participation by the sector and this focus continues to bolster Fasset's delivery of the superb participation levels we enjoy against NSDS targets set for us (see pages 38 to 40 of this Report).

Table 2 below reveals the results of the hard work that has enabled us to grow participation rates once again this year. Year-on-year comparisons for the five year period to date are provided in the Five Year Overview (included as an insert in this publication).

Table 2 : Participation by Levy-paying Members

	Y4	Y5	Percentage Increase
WSPs Submitted	2 178	2 489	14%
WSP Grants Paid	1 863	2 255	21%
Registered SDFs	2 226	2 593	16%
Employers with SDFs	2 661	3 285	23%

In some sectors, employers complain that they do not receive any money back in terms of their Skills Development Levy (SDL) payments. Our statistics reveal that the Fasset sector has indeed bucked this trend, and while there has been extensive media coverage regarding Setas being "SMME unfriendly", we have ensured that this criticism is completely unfounded in our sector. We have consciously striven to ensure Fasset is SMME friendly and recognise the possible capacity constraints within SMMEs. Our FSA intervention is specifically geared to alleviating any possible barriers hampering SMME participation in the skills development initiative.

We have also provided Skills Development Facilitators (SDFs) in our sector with high quality, relevant training and 5 training interventions were hosted during the year, with a total of 893 delegates in attendance.

A new initiative introduced during the period was free Adult Basic Education and Training (ABET). This, despite the fact that research revealed only a small percentage of employers in the sector with employees who may be potential recipients of ABET, as we understand the national imperative in terms of ABET. (Workers at ABET levels 3 and lower, ie those who may benefit from ABET programmes, approximate 2.7% of total employment

in the sector and are thinly dispersed among organisations.) Our programme, designed for adult learners, aims to improve literacy and numeracy and will enable adult learners to further their path on the NQF.

A draft Sector Skills Plan (SSP) for the period 2005 – 2010 was prepared and received a highly favourable rating on evaluation by DoL. Minor adjustments are to be made to this draft SSP in order to align it to the final NSDS.

Interesting sector statistical data extracted from the SSP is included in this publication for perusal as Appendix D.

## MARKETING COMMUNICATION

The strong marketing orientation of the Seta continues to provide a critical support service assisting us to :

- grow sector participation rates, including in the area of grant applications
- encourage learner sign-on figures
- cement the concept of life long learning and increase participation in our initiatives in this area
- drive transformation in the sector
- ensure the sector is not only aware, but understands and supports Fasset and its skills development activities
- ensure the sector buys into and participates in Fasset skills development activities

We continue to recognise the key role played by the media as one of Fasset's stakeholders, and indeed as one of the sector's gatekeepers. This has ensured intensive and ongoing initiatives to build strong positive relationships with key media players. These efforts have been rewarded with most satisfactory coverage of Fasset in a fair and equitable manner by the media, and general recognition by the media of Fasset being a Seta which is delivering, which is innovative and creative, which is definitely meeting the needs of its stakeholders, and which is a Seta where corporate governance enjoys a very high priority and integrity is non-negotiable.

Similarly, other key stakeholders such as DoL, the Labour Portfolio Committee and organised business and organised labour organisations, are proactively targeted and we have been successful in cementing a mutually beneficial and cordial working relationship with many of these stakeholders.

Positive, proactive, accurate and timeous communication to all levy-paying members ensures they are kept fully informed of general skills development matters and of Fasset specific developments on an ongoing basis, with a fully integrated (revised and updated) marketing communication plan implemented on an annual basis, which utilises the full range of marketing communication tools available and which are used in a fresh and creative way to ensure continued interest.

As reported during the last period, we are extremely fortunate in serving a highly 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 average monthly statistics in terms of Total Number of Visits and Total Number of Visitors having climbed to 51 857 and 10 550 (from 36 203 and 6 851 respectively in April 2003). A very strong quality control process is also running in terms of call centre delivery to stakeholders, and this ensures a high quality, customer oriented service delivery.

Our social development projects (reported on below) provide us with ongoing opportunities to offer key stakeholders and gatekeepers look-see opportunities by way of site visits, as well as to publicly showcase delivery of our skills development initiatives at grassroots level and the progress we are making with transformation efforts in the sector. Of particular interest during the period was the successful launch of the Education Upliftment Project in Limpopo (EUPLIM) (reported on below). At the launch, the Minister of Labour commended Fasset for initiating the project, saying it fulfilled government's rural development strategy aimed at bridging the gap between rural and urban areas. He said, *"It is the historic duty of our government to reverse the distortions of the past. Education and training is the key towards realising this ideal"*.

Given the nature of our sector, a key focus has been the concept of life long learning and the sector has always enjoyed a strong tradition of training. CPE, which equates to the concept of life long learning, is, therefore, firmly entrenched and it was relatively easy for us to implement a CPE programme in support of NSDS Objective 1, ie *"Developing a culture of high quality life long learning and fostering skills development for high quality jobs"*.

CPE was identified early on as one of the areas in which Fasset is very well positioned to add value to its sector, particularly for its SMME stakeholders, in line with this particular objective. We are pleased to report that our CPE programme, initiated during Y2, has really taken off. The Five Year Overview, which accompanies this report, provides graphic representations on this programme and reveals the extent of the need for this project in the sector and the enormous support it enjoys by way of stakeholder participation figures. Of particular interest is the annual attendance figure, which has climbed from 1 496 in Y2 to 3 954 in Y5, and the increase in the scope of the project which has broadened considerably over the years. This has obviously necessitated an increase in budget allocation - from R1 250 000 in Y2 to R6 500 000 for the period under review (inclusive of VAT).

## **SOCIAL DEVELOPMENT PROJECTS**

From the outset, Fasset identified social development projects as an important vehicle for opening access to the sector to PDIs, and for fast tracking transformation.

Some of the unclaimed grant monies are, therefore, used to fund our numerous social development projects determined to be of strategic importance to the sector. The sole purpose of these particular projects is to meet the high skills needs within the sector, identified through Fasset's SSP, with the Business Plan conceptualising annually those areas of high priority that will be concentrated on in a particular year.

Total funding allocated to social development projects to date amounts to R78 746 000, with all new projects being approved by the Executive Committee (EXCO).

Tighter control measures were implemented during Y5 in order to improve monitoring procedures, with each project being monitored on an ongoing basis and measured against the agreed objectives and deliverables.

Ten new social development projects were identified and approved for funding during the period, with a sum of R31 633 860 being allocated to these projects. This brings to 39 the total number of social development projects to date; 24 of which have already run to closure and the remaining 15 being due for completion during 2006 and 2007.

Given the strategic nature of the transformation imperative, all social development projects are geared towards addressing the skewed demographic profile within the sector, and all are therefore in line with the NSDS equity targets in terms of beneficiaries, ie :

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

The level of training offered by these projects ranges from Grade 12 level (NQF 4), where support is provided to learners in subjects such as Higher Grade Mathematics, English and Accounting, to support at postgraduate level (NQF 6). 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. It is indeed extremely gratifying to find that many past social development project beneficiaries are now studying at university or technikon in a sector-related discipline. There are also a number of postgraduate level beneficiaries who have qualified as Chartered Accountants, thanks to the support that these projects have provided. For Fasset, the most gratifying aspect is the fact that these projects have empowered learners by enabling them to realise their dreams. Unfortunately, with the media frenzy around the issue of signing learners onto learnerships and the issue of spending of funds, the huge impact that these projects are having in terms of skills upliftment has unfortunately gone largely unnoticed.

Pertinent details in respect of all social development projects funded by the Seta are provided in Appendix E and reveal the



extent to which Fasset is building on past proven successes to enrich the skills of the sector and meet its targets in a meaningful way.

### The NSF-funded Education Upliftment Project

Fasset has a long history of partnering with the professional bodies in the sector to fast track transformation and to drive participation in the skills development initiative. Our NSF-supported EUPEC project has delivered very impressive results and has been extensively reported on, both in the media and in past Fasset Annual Reports. We would like to take this opportunity to thank our project partners, Thuthuka and the South African Institute of Chartered Accountants (SAICA), for their role in implementing and delivering the project so successfully.

To date, more than 20 000 PDI participants – learners, educators and principals – have already benefited from the project, with past beneficiaries of these projects also now already studying at university or technician in sector related disciplines.

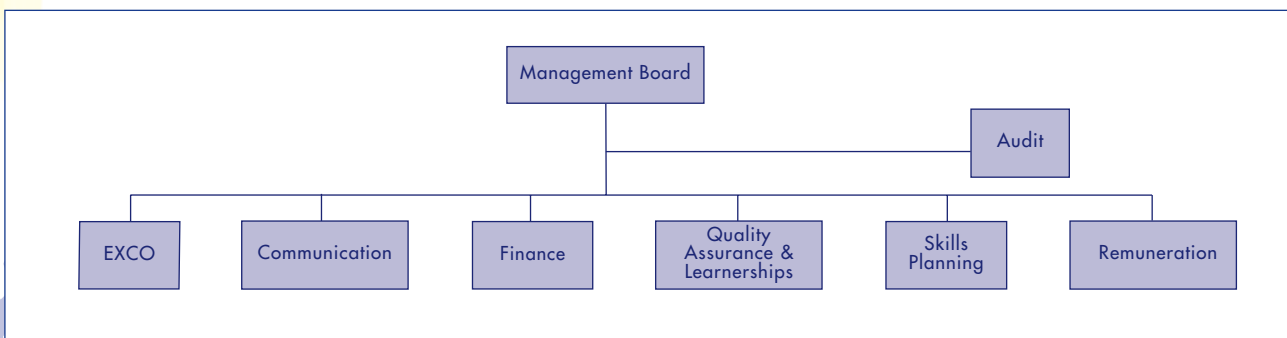
Based on the project's success, the Minister of Labour approved an additional R76m in funding to extend the project to the KwaZulu-Natal and Limpopo provinces, and the Limpopo extension of the project was formally launched by the Minister of Labour at a well attended function with a carnival atmosphere in Limpopo in October 2004. The official launch of the project into KwaZulu-Natal is scheduled to take place during the forthcoming period.

Not only is transformation alive and well in the Fasset sector, it is also poised to accelerate rapidly as Fasset drives initiatives which

Table 3 : Working Committees

Working Committee	Chairman	Meetings Attended
Audit	Marianne Brown (Independent Chairman)	4
EXCO	Maryanne Trollope	3
Quality Assurance & Learnerships	Robin Dixie	4
Skills Planning	Roger Wadsworth Robert Capper	1 3
Communication	Maryanne Trollope	3
Finance	Bill Shellard Ettiene Retief	2 8
Remuneration	Mpuseng Tlhabane	3

Figure 1 : Working Committee Structure



are focused on normalising the equity and gender balance in the sector, whilst at the same time maintaining world-class standards of skills and delivery within the sector.

### INVESTORS IN PEOPLE (IIP)

The past year has seen the number of organisations committed to achieving this people development standard rise from 14 to 22, against a target of 20. The three sector organisations who have already achieved the standard, are Fasset, SAICA and SAB&T, with the last obtaining their accreditation during the current financial year.

### 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 SDA.

### Management Board

The Board's responsibility has been expanded on in the Accounting Authority Report 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
- sixteen 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 :

- 26 May 2004
- 9 September 2004
- 25 November 2004
- 11 March 2005

Table 4 : Audit Committee

Member									
Marianne Brown	Veronica Du Preez*	Emmie Heyn	Kobie Kleynhans	Judy Grobler♦	Sakhi Simelane♦	Witness Magoswana	Annette De Klerk□	Joe Lesejane♦	Mandi Olivier*
Position									
Independent Chairman	Independent Member	Independent Member	Independent Member	Independent Member	Independent Member	Management Board Member	Management Board Member	Management Board Member	Management Board Member
Meetings Attended and Remunerated During Financial Year									
4	2	3	2	2	2	4	0	1	1
18 May 2004									
✓	✓	✓	-	N/A	N/A	✓	-	N/A	N/A
21 July 2004									
✓	✓	✓	✓	N/A	N/A	✓	N/A	✓	N/A
18 November 2004									
✓	N/A	-	✓	✓	✓	✓	N/A	N/A	N/A
18 February 2005									
✓	N/A	✓	-	✓	✓	✓	N/A	N/A	✓
Total Remuneration for the Financial Year Ending 31 March 2005									
R20 192	R9 010	R14 010	R10 000	R10 000	R10 000	R16 931	N/A	R5 000	R5 000

(\*) Resigned with effect from 11/2004

(♦) Appointed with effect from 11/2004

(□) Resigned with effect from 5/2004

(♦) Resigned with effect from 2/2005

(\*) Appointed with effect from 2/2005

In accordance with its Constitution, the Board is re-elected on an annual basis. Appendix B indicates the composition of the Board, which took over office as at 26 May 2004, with Maryanne Trollope re-elected as Chairman. The number of meetings each member attended is also detailed.

The Board is supported by various Working Committees, whose duties include the formulation of policies and procedures (see Table 3 and Figure 1). With the exclusion of the Audit Committee, Working Committee members are not remunerated for attendance at Committee meetings. However, they are reimbursed for out-of-pocket expenditure, such as travel.

### Audit Committee

Members of the Audit Committee are remunerated at a rate of R5 000 per formal meeting, as per approval by the Management Board (5/2004). The Management Board subsequently also approved a remuneration rate, as per the Auditor-General rate, of R891 per hour for ad hoc meetings (9/2004). Two ad hoc meetings were held during the year.

The Audit Committee met four times during the period under review and one Management Board representative seat was replaced twice during the course of the year. Details of the Audit Committee members, the number of meetings attended, and the remuneration received appear in Table 4.

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 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.

### Staffing

On 31 March 2005, Fasset's staff complement was 14. There was one new appointment during the year under review, one promotion, and two resignations. A breakdown of the demographic profile and staffing positions is provided in Table 5 and the Staff Organogram is provided in Appendix C.

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 6, are

Table 5 : Staff Profile

Staff Member	Position	Race	Gender	Date Joined	Date Resigned
Fatima Bhayat	ETQA/Learnerships Officer	Indian	Female	5/2004	10/2004
Nomadlozi Buthelezi	ETQA/Learnerships Assistant	African	Female	10/2003	
Lauren Derman	Skills Planning Manager	White	Female	4/2001	
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	African	Female	9/2003	
Gugu Moetanalo	Administration Officer	African	Female	6/2000	
Mimi Moselane	Skills Planning Officer	African	Female	6/2001	2/2005
Tumi Msibi	Policies and Projects Officer	African	Female	9/2003 (Promotion)	
Yogini Padayachy	Research Officer	Indian	Female	8/2003	
Nawaal Patel	ETQA/Learnerships Manager	Coloured	Female	8/2000	
Caroline Pulford	Publications Officer	White	Female	5/2003	
Yvonne Sawyer	ETQA/Learnerships Officer	Coloured	Female	2/2001	
Thabiso Sebashe	Receptionist	African	Female	9/2003	
Marietjie Smit	Skills Planning Officer	White	Female	8/2003	

aligned with the sector and reflect the organisation’s 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 are in place.

Over and above spending money on training sector employees, Fasset also has a strong focus on internal staff development. We are registered as a Fasset member and our staff attend many of the interventions we host for the sector. In addition to this, we regularly utilise providers to train our staff externally.

All 16 staff members employed at Fasset on 1 April 2004 attended at least one training intervention by 31 March 2005, which translates into a 100% training rate. 121 training interventions were undertaken (see Figure 2), which equates to 7.6 interventions per person. In total, approximately 4 147 hours and R167 194 was spent on training interventions. When averaged out, approximate training spend equals R40 per hour and average annual training cost equals R10 450 per employee.

50% of staff embarked on higher education or furthered their education with professional qualifications and 18% embarked on a postgraduate qualification.

The most popular interventions were CPE and the Enhancement of Core Function Technical Skills, which included courses such as legislation

Table 6 : Staff Occupational Levels and Grades

Occupational Category	Job Title	Grade (Patterson)	Salary Bands (Per Annum)
Senior Managers	CEO	E2	R560 000 – R760 000
Professionals	Managers	DU	R270 000 – R500 000
Skilled Technical	Officers	CL	R105 000 – R185 000
Clerks	Assistants	BU	R78 000 – R130 000
Elementary Workers	Attendants	AU	R22 000 – R27 000

updates and topics related to SDFs. In addition to this, Fasset staff also embarked on life skills training in the areas of diversity management and HIV/AIDS awareness. Management and Leadership training featured high on the agenda as a skills priority followed by courses to enhance functioning in Support and Administration.

The Seta is proud of its achievements in terms of its commitment to staff development and education and training.

### CORPORATE GOVERNANCE

This item is addressed in the Accounting Authority Report, 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 to the effectiveness of corporate governance strategies and is in accordance with the Public Finance Management Act, (Act No 1 of 1999) as amended (PFMA).

### Internal Financial Control

Internal financial control focuses on critical risk areas, which are identified by Management. The risk management process is 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 the 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. It is the internal auditor's responsibility to monitor the prescribed procedures. No high risk areas have been identified.

In line with Treasury Regulations, 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. (Treasury Regulations to the PFMA require disclosure to the National Treasury of certain defined transactions, losses through criminal conduct, or irregular, fruitless or wasteful expenditure).

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

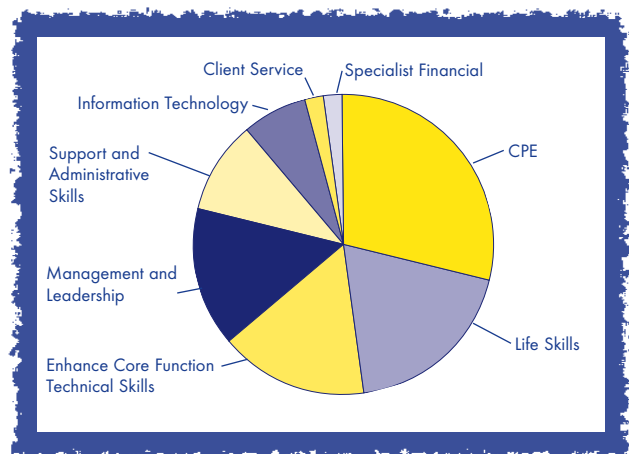
We understand that our sector is predominantly White and that we need to leverage on the diversity of the people of our country to ensure that all come into the mainstream of the economy. We also understand that our priority is to skill people and create opportunities for those who have not had them before, and in this way to turn the tide. However, we cannot escape the very real impediments that continue to face us.

Our efforts at re-dressing past inequities are stymied by insufficient numbers of PDI Matriculants with Higher Grade Mathematics coming through the system. This is a prerequisite for many careers in our sector, and it continues to serve as a real barrier to entry.

*Achiever* magazine reported in its "State of the Nation on Skills" special edition published early in 2005 that "... 696 800 young South Africans would be sitting their final school examination in 2004 ...". Of these, only 284 780 were reported to be writing Mathematics, and in fact "... only 40 570 ... Grade 12 students writing Maths were doing so on the Higher Grade ... This meant that a mere 5.8 percent were writing the Higher Grade Maths ... Most of these will be learners in formerly 'White' schools".

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 by the sector continue to serve as a barrier to entry and although

Figure 2 : Staff Training Interventions



Matriculation results have improved in recent years, very few Black Matriculants overall, obtain exemption for Higher Grade Mathematics. 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.

In addition, in instances where universities offer bridging programmes, these have had very limited success. About 60% of learners on these programmes are unable to cope with Mathematics at university level. This situation is exacerbated by the fact that many schools do not even offer Mathematics on the Higher Grade. A sustainable solution is clearly required at national level and the Department of Education needs to build capacity among educators in subjects such as Higher Grade Mathematics, Accounting and English as a matter of great urgency. Until this is done, our sector's transformation efforts will continue to be stymied by the limited number of PDIs with good Matriculation results.

The sector's poor demographic profile is, therefore, 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 five years, the true impact of the many initiatives will only be felt in the longer term, as the practical reality is that it takes 7 to 10 years, on average, to qualify as a Chartered Accountant.

Transformation, therefore, remains the greatest challenge facing the Fasset sector over the next five years. Our systems and processes have long been in place and we are over delivering against targets in almost all areas, except this one. 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 on pages 42 and 43.)

We remain positive and highly motivated to tackle the task at hand. We believe that Fasset is very well positioned to assist our sector to fast track transformation and ensure a sector which is

fairly representative of the South African population, and we hope that the very real progress in this area already made by the sector, will be recognised. This progress is evidenced in the fact that The Chartered Accountant learnership, which accounts for some 90% of Fasset learners, is already showing improvement (see Table 7) and we hope that our accomplishments to date will be acknowledged and lauded.

Table 7 : Registered Learners - Chartered Accountant Learnership

Black	Male	Female
32%*	54%	46%

(\*) Compare : 9.72% of currently registered Chartered Accountants in South Africa are Black.

## CONCLUSION

We have now completed the first five years of the NSDS : focused on getting structures, systems and processes in place. The new strategy has moved to a much stronger delivery focus and is starting to give Setas the opportunity to find ways of delivering the skills needed in different ways. It's saying : let's not just chase numbers in the short term, let's put foundations in place to bring about a strong culture of learning and delivery. The skills strategy is becoming a lot more focused than it was in the past, and we must be careful that the focus doesn't move away from sector-specific needs. We agree that the national strategy should be broad, but Setas should still be able to home in on areas specific to their sectors. Setas must be allowed to make a big difference in a few areas, rather than spreading their resources too thinly.

On 18 October 2004, Labour Minister, Membathisi S Mladlana reiterated that it was not government's plan to do away with Setas – emphatically adding that these skills development implementation institutions are here to stay. He confirmed that : *"Government is committed to ensuring that Setas play a part in reshaping the economy ... Our National Skills Strategy has enabled millions of South Africans to be trained and many of the skills revolution successes can undoubtedly be attributed to the hard work of the Setas"*. The Minister's comments clearly indicate Government's firm commitment to the skills development initiative in South Africa and of the Seta model remaining for the foreseeable future.

A certain amount of revision of the Seta landscape was, however, undertaken by DoL during the period and Fasset was fortunate in being one of 20 Setas to be issued with a licence to continue operations for the second five-year NSDS period, ending on 31 March 2010. We are, therefore, in a position to continue with the work begun during the first five years of the NSDS and re-confirm that accountable and high quality delivery will always be our challenge and that with the continued support of a dedicated Management Team, Management Board and stakeholder community, we are well placed to meet this challenge.

At DoL's NSDS Conference in March 2005, the Minister said : *"We need to use our past experiences and lessons fruitfully to strengthen the implementation of the adjusted strategy"*. His latest media advert details the strategic imperative for the skills development initiative in our country :

*"In a competitive global economy, every country's economic status is largely determined by the quality of its human resources, which, in turn, depends on a sound development system, policies and strategies. In South Africa's case, the enactment of laws providing for the establishment of skills development programmes have been informed by a dire need to address the glaring economic inequalities that bear testimony to the apartheid legacy.*

*Only by delivering skills – particularly to the multitudes of those who have been the worst casualties of that legacy – can our country's human resource capacity be boosted to its fullest potential.*

*One vital cog in this skills empowerment drive has ... been the Sector Education and Training Authorities (Setas). With new targets and performance indicators, the new-look, trimmer Setas are set to continue playing the leading role in the skills revolution.*

*... The high rate of unemployment among our young people is such that the Setas cannot afford to rest on their laurels. It has taken substantial research, consultation and negotiation to shape the Setas into their present state of being organs of peoples' power, capable of achieving their mandate."*

And his statements support that of our President, Mr Thabo Mbeki, regarding skills development : *"More work will have to be done to raise the skills level of our people"*.

This is exactly what Fasset intends to do and we urge all stakeholders to heed the call of Bheki Sibiyi, CEO, Business Unity South Africa (BUSA) : *"... we should be giving diligent support to skills development and upliftment programmes ... We can accelerate the increase of numbers using skills development. Do more than what is expected of you, go beyond and lead ... the accounting profession is critically important for economic growth. Investor and business confidence are shaped by it."* (Association for the Advancement of Black Accountants of Southern Africa (ABASA) Convention, 9/2004).

**CHERYL JAMES**  
CEO  
22 July 2005

# Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2005.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE

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

### Audit Committee

Member	Meetings Attended
<b>Independent Members</b>	
Marianne Brown (Chairman)	4 of 4
Veronica du Preez*	2 of 2
Emmie Heyn	3 of 4
Kobie Kleynhans	2 of 4
Judy Grobler♦	2 of 2
Sakhi Simelane♦	2 of 2
<b>Internal Members</b>	
Witness Magoswana	4 of 4
Joe Lesejane♦	1 of 2
Mandi Olivier•	1 of 1
Anette de Klerk□	0 of 1

(\*) Resigned with effect from 11/2004 (♦) Resigned with effect from 2/2005  
(◆) Appointed with effect from 11/2004 (•) Appointed with effect from 2/2005  
(□) Resigned with effect from 5/2004

## 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
- Risk management
- Compliance with laws, regulations and good ethics
- Reporting practices, and
- Oversight of internal and external audit functions

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 :

- Reviewed quarterly management accounts

- Updated the audit committee charter
- Reviewed the risk analysis, 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
- Monitored compliance with Fasset policies and applicable legislation
- Conducted separate informal meetings with both internal and external audit
- Conducted a self-assessment during the year. Results concluded that by far and large the Audit Committee is effective in the execution of their duties. Minor areas of improvement were identified.

## The Effectiveness of Internal Control

The Audit Committee is satisfied that :

- The risk management process is in place and that the major risks under the control of Fasset are 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 external 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 Auditor-General.

**MARIANNE BROWN**  
Audit Committee Chairman  
20 July 2005

# Auditor-General's Report

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SETA FOR FINANCE, ACCOUNTING, MANAGEMENT CONSULTING AND OTHER FINANCIAL SERVICES FOR THE YEAR ENDED 31 MARCH 2005.

### 1. AUDIT ASSIGNMENT

The Financial Statements as set out on pages 15 to 37, for the year ended 31 March 2005, 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 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004). 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.

The audit was completed in accordance with Auditor-General Directive No 1 of 2005.

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 Seta for Finance, Accounting, Management Consulting and other Financial Services at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with Statements of Generally Accepted Accounting Practice and

in the manner required by the Public Finance Management Act (Act No 1 of 1999).

### 4. APPRECIATION

The assistance rendered by the staff of the Seta for Finance, Accounting, Management Consulting and other Financial Services during the audit is sincerely appreciated.

N. Manik for Auditor-General

Pretoria

31 July 2005



AUDITOR - GENERAL

# Accounting Authority Report

**HONOURABLE MINISTER, IT IS WITH PLEASURE THAT THE ACCOUNTING AUTHORITY PRESENTS TO YOU THE ANNUAL FINANCIAL STATEMENTS OF THE SETA FOR FINANCE, ACCOUNTING, MANAGEMENT CONSULTING AND OTHER FINANCIAL SERVICES FOR THE PERIOD 1 APRIL 2004 TO 31 MARCH 2005.**

## GOVERNANCE

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 2005, and also the Financial Performance and Summary of Cash Flow Activities for the year ending 31 March 2005. Once again, the Board of Fasset 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 and the Financial Statements comply with GAAP.

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, and which comply with the King II Report on Corporate Governance. In addition, all necessary structures, policies and procedures are in place in order to ensure compliance with the requirements of the PFMA. These include an independent Audit Committee, a Fraud Prevention Plan and internal auditors. Fasset therefore complies with best practice, and with all legislation with regard to governance, and this continues to be a crucial and very serious aspect of functioning at the Seta.

Various additional responsibilities are incumbent on the Board, ie : 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 and training programme. A process of self-assessment and discussion of performance by the Management Board has also been implemented and it is hoped that this will serve as an additional useful tool in ensuring effective functioning of the Board.

## REMUNERATION

In terms of Fasset policy, the Management Board is not remunerated.

The remuneration of the CEO, the senior manager at Fasset, is reflected in the table herewith, and in the case of Fasset, the CEO also acts as the CFO of the Accounting Authority.

As the Accounting Authority, we have reviewed and approved the Annual Financial Statements contained on pages 15 to 37 herein.

**MARYANNE TROLLOPE**

**Chairman**

**22 July 2005**

## CEO's Remuneration

Pension	R0	Not paid by Fasset. Employees are personally responsible for pension.
Medical	R0	Not paid by Fasset. Employees are personally responsible for medical aid contributions.
Allowances : Car & Subsistence	R48 000	Included as part of structuring of package.
Base Remuneration	R642 000	
<b>Total Guaranteed Cost to Company</b>	<b>R690 000</b>	<b>Benchmarked annually</b>
Non-Guaranteed (at risk) Remuneration	R64 600	The Fasset incentive scheme is benchmarked and negotiated annually. The incentive is dependent on personal performance, Seta core function (department) performance and the results of an external evaluation of Seta performance.
<b>Total Guaranteed and Non-Guaranteed Remuneration for 2004/05</b>	<b>R754 600</b>	

# Statement of Financial Performance

for the year ended 31 March 2005

	Note	2004/05 (R'000)	2003/04 (R'000)
<b>REVENUE</b>			
Skills Development Levy : Income	2	113 484	70 183
Skills Development Levy : Penalties and interest		1 275	776
National Skills Fund income	10	35 329	8 095
Donations for special projects	11	-	599
Investment income	3	6 587	8 785
<b>Total Revenue</b>		<u>156 675</u>	<u>88 438</u>
<b>EXPENSES</b>			
Employer grant and project expenses	4	(99 785)	(86 884)
Administration expenses	5	(10 183)	(8 737)
National Skills Fund expenses	10	(35 329)	(8 095)
<b>Total Expenses</b>		<u>(145 297)</u>	<u>(103 716)</u>
<b>Net Surplus / (Deficit) for the Year</b>	1	<u>11 378</u>	<u>(15 278)</u>

# Statement of Financial Position

as at 31 March 2005

	Note	2004/05 (R'000)	2003/04 (R'000)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	6	751	398
<b>Current Assets</b>			
Accounts receivable	7	22 998	24 477
VAT receivable		426	-
Cash and cash equivalents	8	109 513	86 959
		132 937	111 436
<b>TOTAL ASSETS</b>		<b>133 688</b>	<b>111 834</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds and Reserves</b>			
Discretionary Reserve		76 288	64 910
<b>Current Liabilities</b>			
Accounts payable	9	55 739	39 039
VAT payable		-	16
National Skills Fund received in advance	10	1 433	7 704
Government grants and donor funding received in advance	11	17	17
Provisions	12	211	148
		57 400	46 924
<b>TOTAL NET FUNDS AND LIABILITIES</b>		<b>133 688</b>	<b>111 834</b>

# Statement of Changes in Equity

for the year ended 31 March 2005

Note	Administration Reserve (R'000)	Employer Grant Reserve (R'000)	Discretionary Reserve (R'000)	Unappropriated Surplus (R'000)	Total (R'000)
<b>Balance at 1 April 2003</b>	-	-	80 188	-	<b>80 188</b>
Net deficit per Statement of Financial Performance	-	-	-	(15 278)	<b>(15 278)</b>
Allocation of unappropriated surplus	1 304	19 465	(36 047)	15 278	-
Excess reserves transferred to Discretionary Reserve	(1 304)	(19 465)	20 769	-	-
<b>Balance at 31 March 2004</b>	-	-	64 910	-	<b>64 910</b>
Net surplus per Statement of Financial Performance	-	-	-	11 378	<b>11 378</b>
Allocation of unappropriated surplus	1 4 708	30 529	(23 859)	(11 378)	-
Excess reserves transferred to Discretionary Reserve	(4 708)	(30 529)	35 237	-	-
<b>Balance at 31 March 2005</b>	-	-	76 288	-	<b>76 288</b>

# Cash Flow Statement

for the year ended 31 March 2005

	Note	2004/05 (R'000)	2003/04 (R'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from stakeholders		116 294	69 713
Levies, interest and penalties received		115 026	72 500
Other cash receipts from stakeholders		1 268	(2 787)
Cash paid to stakeholders, suppliers and employees		(128 867)	(101 664)
Grants and project payments		(87 809)	(87 920)
Special projects		(35 329)	(8 095)
Compensation of employees		(3 661)	(3 125)
Payments to suppliers		(1 626)	(2 826)
VAT paid		(442)	302
Cash utilised in operations	13	(12 573)	(31 951)
Investment income	3	6 587	8 785
Special projects	10	29 058	9 681
<b>Net cash inflow / (outflow) from operating activities</b>		<u>23 072</u>	<u>(13 485)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(518)	(193)
<b>Net cash inflow / (outflow) from investing activities</b>		<u>(518)</u>	<u>(193)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		22 554	(13 678)
<b>Cash and cash equivalents at beginning of year</b>	8	<u>86 959</u>	<u>100 637</u>
<b>Cash and cash equivalents at end of year</b>	8	<u><u>109 513</u></u>	<u><u>86 959</u></u>

# Accounting Policies to the Annual Financial Statements for the year ended 31 March 2005

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act (PFMA), Act 1 of 1999 as amended.

The principal Accounting Policies adopted in the preparation of these Financial Statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

## 1. BASIS OF PREPARATION

The Financial Statements have been prepared on the historical cost basis.

## 2. CURRENCY

These Financial Statements are presented in South African Rands since that is the currency in which the majority of the entity's transactions are denominated.

## 3. REVENUE RECOGNITION

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

### 3.1. Levy Income

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

80% of Skills Development Levies are paid over to the Seta (after the 20% contribution to the National Skills Fund (NSF)). The Seta was not in a position to verify that SARS has collected all potential skills levy income.

Levy income is recognised on the accrual basis.

An accrual is made for outstanding levies at year end. Changes to prior year estimates are accounted for in revenue in the current period.

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 DoL in June 2001.

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 category to maintain its original identity.

### 3.2. Interest and Penalties

Interest and penalties on the Skills Development Levy are recognised when received.

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

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.

Property, plant and equipment acquired for NSF Special Projects are capitalised in the Financial Statements of the Seta, as the Seta controls such assets for the duration of the project. Such assets could, however, only be disposed of in terms of agreement and specific written instructions by the NSF.

### 3.4. Government Grants and Other Donor Income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income as and when the conditions are met. Unconditional grants received are recognised when the amounts have been received.

### 3.5. Investment Income

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

## 4. GRANTS AND PROJECT EXPENDITURE

A registered employer may recover a maximum of 60% of its total levy payment as a mandatory employer grant (excluding interest and penalties) by complying with the grant criteria in accordance

with the Skills Development Regulations issued in terms of the Skills Development Act, 1998 (Act 97 of 1998), as amended (SDA).

### **Mandatory Grants**

Grants are equivalent to 15% (the skills planning grant) and 45% (the skills implementation grant) of the total levies received by the Seta during the corresponding financial period.

### **Discretionary Grants**

A Seta may allocate discretionary grants to employers who have submitted an application for a discretionary grant in the prescribed form within the stipulated cut-off period.

### **Retrospective Adjustments by SARS**

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 may result in grants that have been paid to certain employers that are in excess of the amount the Seta is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment, net of bad debts and the provision for irrecoverable amounts.

### **Discretionary Project Expenditure**

A Seta may, out of any surplus monies, determine and allocate funds to employers, education and training providers and workers of the employers who have submitted an application for the funds in the prescribed form within the agreed upon cut-off period.

Project expenditure comprises :

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the project; and
- such other costs as are specifically chargeable to the Seta under the terms of the contract.

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics.

Project costs are recognised as expenses in the period in which they are incurred.

## **5. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE**

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including :

- The PFMA,
- The SDA.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

## **6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost less any subsequent accumulated depreciation and adjusted for any impairments.

Depreciation is calculated on the straight-line method to write off the cost of each asset to estimated residual value over its estimated useful life as follows :

• 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).

The gain or loss on disposal of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount and is taken into account in determining operating profit.

## **7. LEASING**

Finance leases as per the Treasury Regulations refer to a contract that transfers the risks, rewards, rights and obligations incident to ownership to the lessee and is recorded as a purchase of equipment by means of long-term borrowing. All other leases are classified as operating leases.

Payments made under operating leases (leases other than finance leases) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## **8. PROVISIONS**

Provisions are recognised when the Seta has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

Long-term provisions are discounted to net present value.

### **8.1. Provision for Employee Entitlements**

The cost of employee benefits is recognised during the period

in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the Statement of Financial Position date. Provisions included in the Statement of Financial Position are provisions for leave (based on the current salary rates).

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

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

## **8.2. Provisions for Grants**

### ***Mandatory and Discretionary Grant Payments***

A provision is recognised for grant payments once it is probable that the Seta will approve the payment and when the Seta has no realistic alternative other than to settle the grant. Provision is made for the skills planning grant not yet disbursed at year end if the specific criteria set out in the regulations to the SDA (the Act) have been complied with by member employers and such compliance has been approved by the Seta.

Provision is made for the disbursement of the skills implementation grant based on an estimate of the applications which would probably be approved where training plans were implemented by member employers during the financial year. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval of the grant.

Provision is made for the payment of discretionary grants where the criteria communicated to employers before year end and past actions of the Seta result in an obligation to pay the grant at year end, before receipt of the prescribed forms and approval of such grant. The measurement of the obligation involves an estimate, based on an established pattern of past practice of payment, supported by history built up over the past 4 years.

### ***Discretionary Projects***

No provision is made for projects approved at year-end, unless the service in terms of the contract has been delivered. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as a component of commitments in the Notes to the Financial Statements.

## **9. FINANCIAL INSTRUMENTS**

### **Recognition**

Financial assets and financial liabilities are recognised on the Seta's Statement of Financial Position when the Seta becomes a party to the contractual provisions of the instrument.

All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

### **Measurement**

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 principle financial assets are accounts receivable and cash and cash equivalents.

### ***Accounts and Other Receivables***

Accounts and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### ***Cash and Cash Equivalents***

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 do not bear interest and are stated at their nominal value.

### ***Gains and Losses on Subsequent Measurement***

Gains and losses arising from a change in the fair value of financial instruments, are included in net profit or loss in the period in which it arises.

### **Derecognition**

A financial asset or a portion thereof is derecognised when the Seta realises the contractual rights to the benefits specified in the contract, the rights expire, the Seta surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs and the amount paid for it is included in net profit or loss for the period.

## Fair Value Considerations

The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

## Offsetting

Financial assets and financial liabilities are offset if there is any intention to realise the asset and settle the liability simultaneously and a legally enforceable right to set off exists.

## 10. RESERVES

Equity is classified based on the restrictions placed on the distribution of monies received in accordance with the Regulations issued in terms of the SDA Statement of Changes in Equity as follows :

- Administration Reserve
- Employer Grant Reserve
- Discretionary Reserve
- Unappropriated Surplus

Employer levy payments are set aside in terms of the SDA and the regulations issued in terms of the Act, for the purpose of :

	2004/05	2003/04
	%	%
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 and projects	10	10
<b>Received by the Seta</b>	<b>80</b>	<b>80</b>
Contribution to the NSF	20	20
	<b>100</b>	<b>100</b>

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to pay for the Seta's administration costs.

Interest and penalties received from SARS as well as interest received on investments is utilised for discretionary grant projects.

Surplus funds in the administration and mandatory grant reserves are moved to the discretionary fund reserve.

## 11. COMPARATIVE FIGURES

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

## 12. 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, 1962 (Act 58 of 1962).

## 13. VALUE ADDED TAXATION (VAT)

The amount reflected as VAT due to SARS is in accordance with the dispensation prescribed by SARS. In accordance with this, VAT is calculated and paid over on :

- Skills Development Levy : Administration (10% portion); and
- Surplus funds on Employer Grant Levy (70% portion) used for discretionary projects.

The Employer Grant Levy that was previously VAT neutral, becomes subject to VAT when the surplus is used for discretionary 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.

The Revenue Laws Amendment Act, 2003 (Act No 45 of 2003) commenced on 22 December 2003. Previously, the definition of 'enterprise' listed Fasset 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. The amended definition of enterprise came into operation with effect 1 April 2005.

# Notes to the Annual Financial Statements for the year ended 31 March 2005

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

	Administration Reserve		Employer Grant Reserve			Discretionary Reserve			
	Total per Statement of Financial Performance (R'000)	Administration Reserve (R'000)	Mandatory Skills Planning Grant (R'000)	Mandatory Skills Implementation Grant (R'000)	Total (R'000)	Discretionary Grants (R'000)	Special Projects (R'000)	Projects (R'000)	Total Discretionary (R'000)
<b>Total Revenue</b>	<b>156 675</b>	<b>14 891</b>	21 125	63 375	<b>84 500</b>	14 093	35 329	7 862	<b>57 284</b>
Skills Development Levy : Income									
Admin levy income (10%)	<b>14 891</b>	<b>14 891</b>	-	-	-	-	-	-	-
Grant levy income (70%)	<b>98 593</b>	-	21 125	63 375	<b>84 500</b>	14 093	-	-	<b>14 093</b>
Skills Development Levy :									
Penalties and interest	<b>1 275</b>	-	-	-	-	-	-	1 275	<b>1 275</b>
NSF income	<b>35 329</b>	-	-	-	-	-	35 329	-	<b>35 329</b>
Investment income	<b>6 587</b>	-	-	-	-	-	-	6 587	<b>6 587</b>
<b>Total Expenses</b>	<b>145 297</b>	<b>10 183</b>	13 766	40 205	<b>53 971</b>	5 470	35 329	40 344	<b>81 143</b>
Administration expenses	<b>10 183</b>	<b>10 183</b>	-	-	-	-	-	-	-
NSF expenses	<b>35 329</b>	-	-	-	-	-	35 329	-	<b>35 329</b>
Employer grants and project expenses	<b>99 785</b>	-	13 766	40 205	<b>53 971</b>	5 470	-	40 344	<b>45 814</b>
Net surplus / (deficit) per Statement of Financial Performance allocated	<b>11 378</b>	<b>4 708</b>	7 359	23 170	<b>30 529</b>	8 623	-	(32 482)	<b>(23 859)</b>

## 2. SKILLS DEVELOPMENT LEVY INCOME

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

	<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Levy income : Administration	14 891	7 963
Levies received	14 925	8 156
Levies received from SARS	11 922	9 523
Government levies received	2 560	150
Inter-Seta transfers in	732	180
Inter-Seta transfers out	(289)	(1 697)
Levies accrued	(34)	(193)
Levy income : Employer Grants	84 500	53 201
Levies received	84 699	54 356
Levies received from SARS	81 816	64 640
Inter-Seta transfers in	5 001	993
Inter-Seta transfers out	(2 118)	(11 277)
Levies accrued	(199)	(1 155)
Levy income : Discretionary Grants	14 093	9 019
Levies received	14 127	9 212
Levies received from SARS	13 650	10 942
Inter-Seta transfers in	832	121
Inter-Seta transfers out	(355)	(1 851)
Levies accrued	(34)	(193)
	<u>113 484</u>	<u>70 183</u>

## 3. INVESTMENT INCOME

Interest income – Bank deposits

	<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Interest income – Bank deposits	<u>6 587</u>	<u>8 785</u>

#### 4. EMPLOYER GRANT AND PROJECT EXPENSES

		<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Mandatory grants		53 971	47 240
Disbursed		43 360	47 804
Movement in provisions and accruals		10 611	(564)
Discretionary grants		5 470	3 159
Disbursed		4 105	3 631
Movement in provisions and accruals		1 365	(472)
Project expenditure - disbursed	4.1	40 344	36 485
		<u>99 785</u>	<u>86 884</u>

#### 4.1. Project Expenditure

		<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Project expenditure consists of:			
Direct project costs		40 344	36 485

#### 5. ADMINISTRATION EXPENSES

		<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Depreciation		165	156
Operating lease rentals (minimum lease payments)		350	303
Buildings		333	285
Plant, machinery and equipment		17	18
Maintenance, repairs and running costs		27	28
Advertising, marketing and promotions, communication		797	772
Entertainment expenses		11	25
Consultancy and service provider fees		3 377	2 092
Legal fees		20	23
Cost of employment	5.1	3 661	3 125
Travel and subsistence		105	119
Staff training and development		194	57
Remuneration to members of the audit committee		131	32
External auditor's remuneration - audit fees		104	39
Bad debts written off		23	-
Allowance for doubtful debts		(79)	155
Other		1 297	1 811
Other administration expenses		691	1 366
Internal audit fees		229	212
Insurance		253	100
Telephone		124	133
		<u>10 183</u>	<u>8 737</u>

## 5.1. Cost of Employment

		2004/05 (R'000)	2003/04 (R'000)
Salaries and wages		3 645	3 112
Basic salaries		3 291	2 805
Performance awards		292	252
Temporary staff		57	38
Leave payments		5	17
Social contributions			
UIF		16	13
		<u>3 661</u>	<u>3 125</u>
<i>Allocation of cost of employment</i>			
Administration expenses	5	<u>3 661</u>	<u>3 125</u>
Average number of employees		16	14

Refer to the Accounting Authority Report for disclosure concerning the emoluments of the Chief Executive Officer.

## 6. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2005			
	Cost (R'000)	Accumulated Depreciation / Impairment (R'000)	Closing Carrying Amount (R'000)
Computer equipment	532	(334)	198
Computer software	47	(37)	10
Office furniture and fittings	252	(75)	177
Office equipment	516	(150)	366
Balance at end of year	<u>1 347</u>	<u>(596)</u>	<u>751</u>
Made up as follows :			
Owned assets	<u>1 347</u>	<u>(596)</u>	<u>751</u>

Year ended 31 March 2004			
	Cost (R'000)	Accumulated Depreciation / Impairment (R'000)	Closing Carrying Amount (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 year	<u>829</u>	<u>(431)</u>	<u>398</u>
Made up as follows :			
Owned assets	<u>829</u>	<u>(431)</u>	<u>398</u>

## Movement Summary 2005

Year ended 31 March 2005				
Carrying Amount 2004 (R'000)	Additions (R'000)	Depreciation Charge (R'000)	Carrying Amount 2005 (R'000)	
Computer equipment	110	157	(69)	198
Computer software	-	11	(1)	10
Office furniture and fittings	178	24	(25)	177
Office equipment	110	326	(70)	366
Balance at end of year	398	518	(165)	751

## Movement Summary 2004

Year ended 31 March 2004				
Carrying Amount 2003 (R'000)	Additions (R'000)	Depreciation Charge (R'000)	Carrying Amount 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
Balance at end of year	361	193	(156)	398

## 7. ACCOUNTS RECEIVABLE

		2004/05 (R'000)	2003/04 (R'000)
Skills Development Levy debtors		20 725	20 992
Admin levy debtors		2 590	2 624
Employer grant levy debtors		15 545	15 744
Discretionary grant debtors		2 590	2 624
Inter-Seta debtors	19	7	-
Employer receivables	7.2	2 054	3 610
Deposits		2	2
Prepaid expenses		286	28
Allowance for doubtful debts	7.2	(76)	(155)
		<u>22 998</u>	<u>24 477</u>

### 7.1 Retrospective Amendments by SARS

	2004/05 (R'000)	2003/04 (R'000)
<i>SARS receivable</i>		
Opening carrying amount	3 610	-
Net effect of SARS adjustments for the current year	(1 556)	3 610
Closing carrying amount	<u>2 054</u>	<u>3 610</u>

## 7.2 Employer Receivables

	<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
<i>Employer receivables</i>		
Overpayment to employers	2 278	4 207
Provision for grants payable	(224)	(597)
	<u>2 054</u>	<u>3 610</u>
Allowance for doubtful debt	(76)	(155)
Net effect of SARS retrospective adjustments on affected employers	<u>1 978</u>	<u>3 455</u>

During the year under review, SARS advised the Seta of erroneously designated Skills Development Levies received in prior periods, resulting in retrospective adjustments (R1 556 000) that were set-off against an opening estimate of R3 610 000. R1 978 000 (2004 : R3 455 000) 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 R76 000 (2004 : R155 000) was provided for as doubtful debt and R224 000 (2004 : R597 000) of the employer receivables was set off against the provision for grant payments to specific employers.

## 8. CASH AND CASH EQUIVALENTS

	<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Cash at bank and in hand	5 769	7 525
Cash at bank	5 768	7 524
Cash in hand	1	1
Short term investments	103 744	79 434
Cash and cash equivalents at end of year	<u>109 513</u>	<u>86 959</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 7.3% (2004 : 9.5%).

The SDA Regulations state that a Seta may, if not otherwise specified by the PFMA, invest the monies in accordance with the investment policy approved by the relevant Seta.

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

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

## 9. ACCOUNTS PAYABLE

		<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Skills development grants payable - mandatory		39 666	27 185
Skills development grants payable - discretionary		4 578	6 615
Inter-Seta payables	19	1 274	2 805
Service provider fees outstanding		1 828	1 124
Sundry payables		8 393	1 310
Trade payables		1 469	1 281
Other accrued		6 924	29
		<u>55 739</u>	<u>39 039</u>

## 10. NATIONAL SKILLS FUND : SPECIAL PROJECTS

		<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Opening balance		7 704	6 118
Received during the year		28 970	9 681
EUPEC		(478)	9 681
KZN / Limpopo		29 448	-
Interest received		88	-
Utilised and recognised as revenue - conditions met		(35 329)	(8 095)
EUPEC		(10 900)	(8 095)
KZN / Limpopo		(24 429)	-
Closing balance		<u>1 433</u>	<u>7 704</u>

The Accounting Policy to account for Special Projects is set out in the Accounting Policy Note 3.3. During the current year, conditional funds of R28 970 000 (2004 : R9 681 000) were received from the NSF for purposes of the Thuthuka Education and Upliftment fund for EUPEC, KZN and Limpopo. This amount was recognised as a liability until the conditions attached were met. During the year, R35 329 000 (2004 : R8 095 000) in eligible project special expenses were incurred and a corresponding amount was recognised as revenue. At year end, R1 433 000 (2004 : R 7 704 000) continues to be accounted for as a liability until the remaining conditions attached have been met.

## 11. GOVERNMENT GRANTS AND DONOR FUNDING RECEIVED IN ADVANCE

		<b>2004/05 (R'000)</b>	<b>2003/04 (R'000)</b>
Opening balance		17	616
Utilised and recognised as income - conditions met		-	(599)
Learnership Development Tools		-	(599)
Closing balance - current		<u>17</u>	<u>17</u>

R17 000 (2004 : R17 000) had the following unfulfilled conditions attached :

- Service providers have not presented substantiation for spending at year-end.

The Accounting Authority is of the opinion that it is probable that the conditions attached will be met.

## 12. PROVISIONS

Employee Leave Provision	2004/05 (R'000)	2003/04 (R'000)
Opening carrying amount	148	123
Amounts utilised	(5)	(17)
Change in estimate	68	42
Closing carrying amount	211	148
Current	211	148

The leave provision is calculated based on the number of leave days outstanding at year end and the total cost of employment.

## 13. RECONCILIATION OF NET SURPLUS / (DEFICIT) PER STATEMENT OF FINANCIAL PERFORMANCE TO CASH UTILISED IN OPERATIONS

	2004/05 (R'000)	2003/04 (R'000)
Net surplus / (deficit) as per Statement of Financial Performance	11 378	(15 278)
Adjusted for non-cash items		
Depreciation	165	156
Bad debts written off	23	-
Allowance for doubtful debts	(79)	155
Increase in provisions - relating to other	63	25
Special project income recognised	(35 329)	(8 694)
Adjusted for items separately disclosed		
Investment income	(6 587)	(8 785)
Adjusted for working capital changes		
Decrease / (increase) in receivables	1 535	(1 246)
Increase in payables	16 700	1 414
Movement in VAT (receivable) / payable	(442)	302
<i>Cash utilised in operations</i>	<u>(12 573)</u>	<u>(31 951)</u>

## 14. CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. As at year-end, this amount could not be quantified as National Treasury has not defined surplus funds. No formal approval has been obtained from National Treasury to retain surplus funds.

## 15. COMMITMENTS

### 15.1 Discretionary Reserve

Of the balance of R76 288 000 (2004 : R64 910 000) available in the Discretionary Reserve at the end of March 2005, R76 288 000 (2004 : R34 587 000) has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been 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. At the time of compiling the Annual Financial Statements, no reply had been received.

	Opening Balance 2003/04 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Opening Balance 2004/05 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Total (R'000)
Assessor Training*	326	-	(326)	-	-	-	-
Research*	227	-	(227)	-	-	-	-
NSA Emerge Project*	72	(67)	(5)	-	-	-	-
SDF Capacity Building*	331	-	(331)	-	-	-	-
IPFA Public Finance Learnerships	2 558	-	(1 020)	1 538	(129)	(693)	<b>716</b>
Access College Phases 2 and 3*	1 431	(474)	(957)	-	-	-	-
SGB Extended Scope*	98	(98)	-	-	-	-	-
<b>Sub-Total Year 1 Project Fund</b>	<b>5 043</b>	<b>(639)</b>	<b>(2 866)</b>	<b>1 538</b>	<b>(129)</b>	<b>(693)</b>	<b>716</b>
Assessor and Provider Training*	211	-	(211)	-	-	-	-
ETQA Agent Capacity Building*	83	-	(83)	-	-	-	-
Learnership - Management Consulting*	2 446	-	(1 174)	1 272	(1 159)	(113)	-
Learnership - Securities Markets*	1 667	(1 423)	(244)	-	-	-	-
Learnership - Entry Level	1 667	(1 129)	(538)	-	467	(98)	<b>369</b>
SMME WSP Intervention*	1 439	-	(1 439)	-	-	-	-
Research*	175	-	(175)	-	-	-	-
SDF Capacity Building*	175	421	(596)	-	-	-	-
SMME CPE II*	(21)	-	21	-	-	-	-
SMME CPE III*	246	-	(246)	-	-	-	-
Learnership Grant*	5 263	-	(1 885)	3 378	(135)	(3 243)	-
Project Management*	1 002	-	(996)	6	-	(6)	-
SGB Financial Markets*	33	(27)	(6)	-	-	-	-
St Mary's Outreach Project 2003*	509	(89)	(420)	-	-	-	-
Thuthuka CTA/QE Project 2003*	2 975	2	(2 240)	737	(317)	(420)	-
PAAB Black Advancement 2003*	773	(101)	(672)	-	-	-	-
Auditor-General Bridging Project 2003*	373	(71)	(302)	-	-	-	-
<b>Sub-Total Year 2 Project Fund</b>	<b>19 016</b>	<b>(2 417)</b>	<b>(11 206)</b>	<b>5 393</b>	<b>(1 144)</b>	<b>(3 880)</b>	<b>369</b>
Learnership Gap Analysis	570	(351)	(93)	126	-	-	<b>126</b>
Assessor Capacity Building*	307	-	(154)	153	(4)	(149)	-
SMME Intervention*	1 281	-	(730)	551	(451)	(100)	-
SDF Capacity Building	789	-	(529)	260	-	(52)	<b>208</b>
Research	219	-	(18)	201	-	(1)	<b>200</b>
CPE 1*	246	-	(246)	-	-	-	-
CPE 2*	246	(71)	(175)	-	-	-	-
CPE 3*	254	71	(325)	-	-	-	-
CPE Learners 1*	219	90	(309)	-	-	-	-
CPE Learners 2*	219	174	(393)	-	-	-	-
Marketing*	748	-	(514)	234	-	(234)	-

	Opening Balance 2003/04 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Opening Balance 2004/05 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Total (R'000)
IIP	877	(526)	(43)	308	-	(12)	<b>296</b>
Transformation Strategy	2 193	(1 316)	(422)	455	-	(303)	<b>152</b>
The ORT Careers Course*	2 256	276	(2 290)	242	(3)	(239)	-
CFA Learnership*	2 682	(63)	(2 619)	-	-	-	-
Edumap Education*	958	93	(1 051)	-	-	-	-
Xenium Securities*	5 723	(4 301)	(1 422)	-	-	-	-
Guarantee Trust Holdings*	475	(31)	(444)	-	-	-	-
Thuthuka English EUPEC Project*	3 273	-	(1 988)	1 285	(216)	(1 069)	-
CPE JSE*	-	192	(192)	-	-	-	-
Guarantee Trust Holdings Phase 2*	-	1 568	(1 555)	13	(1)	(12)	-
Thuthuka CTA/QE 2004-2005	-	6 310	-	6 310	(70)	(5 932)	<b>308</b>
Progression Options CC*	-	1 475	(1 381)	94	(49)	(45)	-
St Mary's Outreach 2003-2005*	-	459	(26)	433	(26)	(407)	-
Moores Rowland - UAAP*	-	138	(36)	102	(2)	(100)	-
Scimathus*	-	422	(75)	347	-	(347)	-
AG Kentron 2004-2005*	-	743	(124)	619	-	(619)	-
Centralised Marketing Function	-	335	(75)	260	31	(265)	<b>26</b>
Guarantee Trust Holdings Phase 3*	-	1 587	(263)	1 324	-	(1 324)	-
ORT SA Phase 2	-	2 725	-	2 725	1	(1 371)	<b>1 355</b>
<b>Sub-Total Year 3 Project Fund</b>	<b>23 535</b>	<b>9 999</b>	<b>(17 492)</b>	<b>16 042</b>	<b>(790)</b>	<b>(12 581)</b>	<b>2 671</b>
ABET Training	-	-	-	-	1 316	-	<b>1 316</b>
HIV / AIDS	-	-	-	-	439	(241)	<b>198</b>
SMME Intervention	-	-	-	-	1 766	(1 761)	<b>5</b>
SDF Capacity Building	-	-	-	-	658	(75)	<b>583</b>
CPEs*	-	1 184	(75)	1 109	-	(1 109)	-
CPEs	-	3 509	(90)	3 419	-	(2 685)	<b>734</b>
Learnership Implementation Tools	-	2 193	(244)	1 949	4	(1 109)	<b>844</b>
Debt Collection Learnership	-	-	-	-	2 193	(6)	<b>2 187</b>
Strategic Marketing	-	921	(31)	890	-	(876)	<b>14</b>
Project Management	-	-	-	-	1 491	(1 480)	<b>11</b>
Thuthuka Workplace Readiness Programme University of Fort Hare	-	-	-	-	350	(329)	<b>21</b>
The Tirisano Learnership Project - CIMA, JP Morgan & Deutsche Bank	-	-	-	-	682	(284)	<b>398</b>
The BDO Spencer Stewart Work Readiness Programme	-	-	-	-	1 328	(200)	<b>1 128</b>
Thuthuka RAU Undergraduate Programme*	-	-	-	-	1 755	(1 755)	-
<b>Sub-Total Year 4 Project Fund</b>	<b>-</b>	<b>7 807</b>	<b>(440)</b>	<b>7 367</b>	<b>11 982</b>	<b>(11 910)</b>	<b>7 439</b>

\*Closed projects

	Opening Balance 2003/04 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Opening Balance 2004/05 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Total (R'000)
Strategic Cash Grant	-	-	-	-	3 509	-	<b>3 509</b>
Learnership Grant	-	-	-	-	9 649	(2 956)	<b>6 693</b>
ORT Siyaphambili	-	-	-	-	2 206	(55)	<b>2 151</b>
CPE	-	-	-	-	5 702	(68)	<b>5 634</b>
Scimathus Phase 2	-	-	-	-	488	(74)	<b>414</b>
Thuthuka CTA/QE Work Readiness Programme	-	-	-	-	3 423	(432)	<b>2 991</b>
Project Management (Y5)	-	-	-	-	1 373	-	<b>1 373</b>
SMME Intervention - Fasset Skills Advisors (05-06)	-	-	-	-	3 070	(33)	<b>3 037</b>
Strategic Marketing	-	-	-	-	1 316	-	<b>1 316</b>
SH&A - NQF 5 WRP	-	-	-	-	3 852	-	<b>3 852</b>
PAAB - NQF 6 WRP	-	-	-	-	446	-	<b>446</b>
The Skills Framework - NQF 5 WRP	-	-	-	-	3 321	-	<b>3 321</b>
Thuthuka NQF 5 Leadership WRP	-	-	-	-	1 589	-	<b>1 589</b>
Thuthuka - Jhb University CTA 2006	-	-	-	-	2 151	-	<b>2 151</b>
CIMA - Tirisano Learnership Phase 2	-	-	-	-	1 093	-	<b>1 093</b>
Learnership Grant per PDI	-	-	-	-	9 481	-	<b>9 481</b>
Centralised Marketing - Year 5	-	-	-	-	200	-	<b>200</b>
Guarantee Trust Holdings Phase 4	-	-	-	-	9 180	(2 706)	<b>6 474</b>
<b>Sub-Total Year 5 Project Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62 049</b>	<b>(6 324)</b>	<b>55 725</b>
<b>Sub-Total Year 1 to 5 Project Funds</b>	<b>47 594</b>	<b>14 750</b>	<b>(32 004)</b>	<b>30 340</b>	<b>71 968</b>	<b>(35 388)</b>	<b>66 920</b>
Value Added Taxation	6 663	2 065	(4 481)	4 247	10 076	(4 955)	<b>9 368</b>
<b>Total Project Expenditure</b>	<b>54 257</b>	<b>16 815</b>	<b>(36 485)</b>	<b>34 587</b>	<b>82 044</b>	<b>(40 343)</b>	<b>76 288</b>

## 15.2 Operating Leases

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

	2004/05 (R'000)	2003/04 (R'000)
Not later than one year	156	355
Later than one year and not later than five years	-	122
	<u>156</u>	<u>477</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 and 1 January 2004 for 25 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 by 10%.

## 16. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

To the best of our knowledge, no material losses through criminal conduct or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2005.

## 17. EVENTS AFTER BALANCE SHEET DATE

Subsequent to year end, the Seta has been deregistered as a VAT vendor in terms of the amended VAT Act.

## 18. FINANCIAL INSTRUMENTS

In the course of the Seta operations it is exposed to interest rate, credit, liquidity and market risk. The Seta has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

The Seta's exposure to interest rate risk and the effective interest rates on financial instruments at 31 March 2005 are as follows :

	Floating Rate		Non-interest Bearing Amount (R'000)	Total (R'000)
	Amount (R'000)	Effective Interest Rate (%)		
<b>Year ended 31 March 2005</b>				
<b>Assets</b>				
Cash	109 513	7,3%	-	<b>109 513</b>
Accounts receivable	-	-	23 424	<b>23 424</b>
<i>Total financial assets</i>	<u>109 513</u>	<u>-</u>	<u>23 424</u>	<b><u>132 937</u></b>
<b>Liabilities</b>				
Accounts payable	-	-	(57 189)	<b>(57 189)</b>
<i>Total financial liabilities</i>	<u>-</u>	<u>-</u>	<u>(57 189)</u>	<b><u>(57 189)</u></b>
<b>Year ended 31 March 2004</b>				
<i>Total financial assets</i>	86 959	-	24 477	<b>111 436</b>
<i>Total financial liabilities</i>	-	-	(46 776)	<b>(46 776)</b>
	<u>86 959</u>	<u>-</u>	<u>(22 299)</u>	<b><u>64 660</u></b>

## **Credit Risk**

Financial assets, which potentially subject the Seta to the risk of non performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable.

The Seta limits its counter-party exposure by only dealing with well-established financial institutions approved by National Treasury. The Seta's exposure is continuously monitored by the Accounting Authority. Credit risk in respect of SARS is limited as it is a government entity of sound reputation.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The Seta's concentration of credit risk is limited to the industry (Financial and Accounting Services) in which the Seta operates. No events occurred in the industry (Financial and Accounting Services) during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. The Seta is exposed to a concentration of credit risk, as significant amounts are owed by SARS. This concentration of risk is limited as SARS is a government entity with a sound reputation.

## **Liquidity Risk**

The Seta manages liquidity risk through proper management of working capital, capital expenditure and actual vs forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

## **Market Risk**

The Seta is exposed to fluctuations in the employment market, for example, sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the Seta is aware of.

## **FAIR VALUES**

The Seta's financial instruments consist mainly of cash and cash equivalents, account and other receivables and account and other payables. No financial instruments were 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 instruments :

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash held by the Seta and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

### **Accounts Receivable**

The carrying amount of accounts receivable is net of allowance for any doubtful debt, estimated by the Accounting Authority based on prior experience. The carrying amount of these assets approximates their fair value.

### **Accounts Payable**

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

## 19. RELATED PARTY TRANSACTIONS

### Transactions with Other Setas

Inter-Seta transactions and balances arise due to the movement of employers from one Seta to another. No other transactions occurred during the year with other Setas.

The balances at year-end included in receivables and payables are :

		2004/05 (R'000)		2003/04 (R'000)	
		Amount of the Transaction	Amount Receivable / (Payable)	Amount of the Transaction	Amount Receivable / (Payable)
<b>Receivables</b>	7	6 567	7	1 297	-
BANKSETA		216	-	30	-
CETA		2	8	-	-
ETDP SETA		-	-	801	-
FIETA		5	-	-	-
HWSETA		10	-	18	-
ISETT		-	-	106	-
INSETA		4	-	9	-
MAPPP		25	-	-	-
MQA		3 914	-	-	-
SETASA		2	-	160	-
SERVICES		2 303	-	159	-
TETA		3	-	-	-
POSLEC		-	(1)	-	-
W&R SETA		83	-	14	-
<b>Payables</b>	9	(4 319)	(1 274)	(12 293)	(2 805)
BANKSETA		119	169	386	254
CHIETA		-	2	543	2
CETA		59	82	1	132
ETDP SETA		75	46	20	132
ESETA		-	11	1	11
FOODBEV		31	19	-	19
FIETA		-	7	6	7
HWSETA		61	45	418	79
ISETT		68	31	135	76
INSETA		2 002	187	8 732	425
LGWSETA		-	1	-	1
MAPPP		-	27	24	27
MQA		30	15	-	15
MERSETA		602	80	128	206
POSLEC SETA		523	85	264	541
PAETA		45	33	25	37
SETASA		45	10	5	10
SERVICES		488	259	498	494
THETA		-	20	42	20
TETA		64	31	992	71
W&R SETA		135	102	73	218
Other		(28)	12	-	28
<b>Total</b>		<b>2 248</b>	<b>(1 267)</b>	<b>(10 996)</b>	<b>(2 805)</b>

# 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 2004 - 2005 Target	Achievement	Fasset Five Year Achievement
1.1	By March 2005, 70% of all workers have at least a Level One qualification on the NQF	85% (34 100) of all workers have at least a Level One qualification on the NQF	97% (target exceeded by 12%)	NSDS target exceeded by 27%
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 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	78% of workers reported on earmarked training	NSDS target (at reporting date) exceeded by 63% and 28% respectively
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	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	22 organisations committed to the IIP Standard (20 through a pilot delivery project and two through the original channel). Three (including Fasset) have achieved the Standard	NSDS target exceeded by 10%

## NSDS Objective 2 :

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

	NSDS Target	Fasset 2004 - 2005 Target	Achievement	Fasset Five Year Achievement
2.1	By March 2005, 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	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	90%	NSDS target exceeded by 5%
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 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	56%	NSDS target exceeded by 16%

	<b>NSDS Target</b>	<b>Fasset 2004 - 2005 Target</b>	<b>Achievement</b>	<b>Fasset Five Year Achievement</b>
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  At least 10 000 employees are registered on learnerships	22 registered, 17 active, 4 inactive and 1 de-registered  11 383	NSDS target met  Fasset target exceeded
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, Setas and other public entities	10	Fasset target exceeded

### NSDS Objective 3 :

Stimulating and supporting skills development in SMMEs

	<b>NSDS Target</b>	<b>Fasset 2004 - 2005 Target</b>	<b>Achievement</b>	<b>Fasset Five Year Achievement</b>
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% (1 513) of new and existing small registered businesses to be supported in skills development initiatives and the impact of such support is measured	36%	NSDS target exceeded by 16%

#### NSDS Objective 4 :

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

NSDS Target	Fasset 2004 - 2005 Target	Achievement	Fasset Five Year Achievement
4.1 By March 2005, 100% of the NSF apportionment to social development is spent on viable development projects	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	R35m approved for the EUPEC project for 2002-2004. R7,7m approved to fund SAICA capacitation of SMME workplace providers project. R76m approved for the Thuthuka Limpopo / KwaZulu-Natal project for 2004-2006. R32m approved for the extension of the EUPEC project for 2005-2006. This totals almost R150m claimed by the sector. Furthermore, accounting, auditing and financial management were identified as critical scarce skills and over R100m was allocated for bursaries through the National Financial Aid Scheme	NSDS target exceeded

#### NSDS Objective 5 :

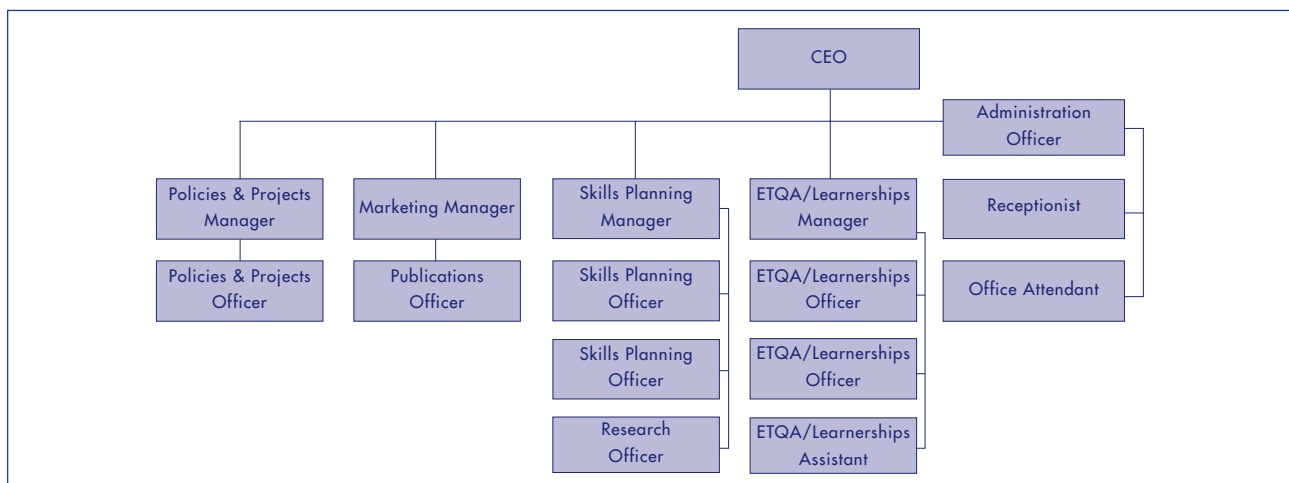
Assisting new entrants into employment in the labour market

NSDS Target	Fasset 2004 - 2005 Target	Achievement	Fasset Five Year Achievement
5.1 By March 2005, a minimum of 80 000 people under the age of 30 have entered learnerships (National target for 25 Setas)	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)	18 861	Fasset target exceeded by more than 600%
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 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	9 274, ie, 100% placement	Fasset can report a 100% placement rate on all learners who have completed learnerships, therefore NSDS target exceeded by 100% and Fasset target exceeded by 67%

## B. Management Board

Name	Representing	Constituency	Organisation	Meetings Attended	Race	Gender	Participation in Working Committees
Hannetjie Botma	Employees	Trade Unions	PSA	3	White	Female	
Robert Capper	Employers	General Seat	Pricewaterhouse-Coopers	2	White	Male	EXCO; Skills Planning
Robin Dixie	Employers	Small, Medium, Micro Enterprises	Robin Dixie, CFA	4	White	Male	Quality Assurance & Learnerships
Christa du Plooy	Employees	Trade Unions	PSA	3	White	Female	
Samantha Louis	Employees	Professional Bodies	CIMA	3	White	Female	EXCO; Quality Assurance & Learnerships
Cheryl James	Fasset CEO	N/A	Fasset	4	White	Female	EXCO; Finance
Bethwell Jwili	Employees	Professional Bodies	Institute of Municipal Financial Officers	4	African	Male	
Linah Kekana	Employees	Trade Unions	NEHAWU	3	African	Female	
Rodney Lucas	Employers	Large Accounting Practices	Ernst & Young	3	Coloured	Male	
Witness Magoswana	Employees	Trade Unions	NEHAWU	3	African	Male	EXCO; Audit; Remuneration
Ettiene Relief	Employers	Tax Services	Financial Tax & Remuneration Services	3	White	Male	EXCO; Finance; Remuneration
Mpuseng Tlhabane	Employers	Securities and Stock Brokers	Johannesburg Securities Exchange	4	African	Female	(Vice-Chairman) EXCO; Remuneration
Maryanne Trollope	Employers	Investment Entities and Trusts	Anglo Operations Ltd	4	White	Female	(Chairman) EXCO; Communications
Roger Wadsworth replaced by Diane Schneider (9/2004)	Employers	Management Consulting	Deloitte	1 2	White White	Male Female	Skills Planning
Shubash Laloo	Employers	Development Corporations	IDC	2	Coloured	Male	
Simon Burdett	Employees	Professional Bodies	ACCA	2	White	Male	Communications
Joe Lesejane replaced by Mandi Olivier (2/2005)	Employees	Professional Bodies	SAICA SAICA	3 1	African White	Male Female	Audit Audit

## C. Staff Organogram



# D. Sector Statistics

Distribution of Workers According to Occupational Category and Population Group

Occupational Category	African (%)	Coloured (%)	Indian (%)	White (%)
Legislators, Senior Officials, Managers & Owner Managers	9	4	7	80
Professionals	15	5	9	71
Technicians & Associated Professionals	16	8	14	62
Clerks & Administrative Workers	26	12	7	54
Service & Sales Workers	53	14	3	30
Skilled Agricultural & Fishery Workers	20	64	0	16
Skilled Workers, Craft & Related Trades	41	34	11	14
Plant & Machine Operators & Assemblers	62	27	6	6
Labourers & Elementary Occupations	52	11	8	29
<b>Total</b>	<b>22</b>	<b>9</b>	<b>9</b>	<b>60</b>

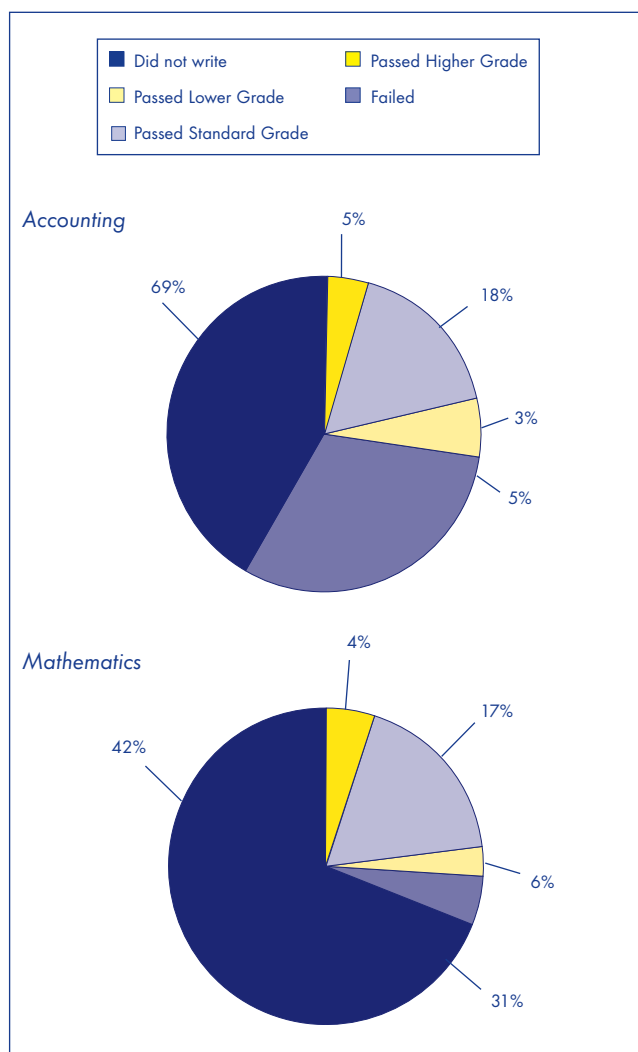
Source : Calculated from WSPs submitted to Fasset in 2002/03.

Note : Percentages may not total 100% due to statistical rounding off.

Availability of Accounting Graduates by Population Group



### Senior Certificate Passes



Source : Department of Education, 'Education Statistics in South Africa at a Glance in 2001'.

### Economically Active Workforce with Post-Grade 12 Qualifications in Business, Commerce and Management Studies

Highest Qualification	Population Group	Employed (N)	Employed (%)	Unemployed (N)	Unemployed (%)	Total
<b>Diploma / Certificate with Grade 12 / Std 10</b>	African	81 109	59	56 728	41	137 837
	Coloured	13 453	86	2 193	14	15 646
	Indian	13 235	97	408	3	13 643
	White	86 405	97	2 805	3	89 210
	Unknown	328	100	0	0	328
	<b>Total</b>	<b>194 530</b>	<b>76</b>	<b>62 134</b>	<b>24</b>	<b>256 664</b>
<b>Degree</b>	African	36 030	89	4 460	11	40 490
	Coloured	10 294	87	1 557	13	11 851
	Indian	7 245	92	654	8	7 899
	White	72 945	97	2 042	3	74 987
	Unknown	1 034	100	0	0	1 034
	<b>Total</b>	<b>127 548</b>	<b>94</b>	<b>8 713</b>	<b>6</b>	<b>136 261</b>
<b>Postgraduate Degree or Diploma</b>	African	10 082	74	3 545	26	13 627
	Coloured	1 355	100	0	0	1 355
	Indian	4 553	100	0	0	4 553
	White	35 085	97	922	3	36 007
	Unknown	0	0	0	0	0
	<b>Total</b>	<b>51 075</b>	<b>92</b>	<b>4 467</b>	<b>8</b>	<b>55 542</b>

Source : Calculated from Labour Force Survey (9/2003)

## E. Social Development Projects (to date)

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	Completed	32				13	19
Access College Phase I	553	15	Completed	10	2	2	1	9	6
Auditor-General Bridging Project 2002	637	20	Completed	20				10	10
St Mary's Outreach Project 2002	486	25 Grade 11 Learners	Completed	25				7	18
PAAB Black Advancement Programme 2002	650	115	Completed	39	52		24	74	41
Access College Phases II and III	1 636	17 Disabled	Completed	14		1	2	11	6
<b>Year 2 (Y2)</b>									
St Mary's Outreach Project 2003	608	48	Completed	48				17	31
PAAB Black Advancement Programme 2003	790	102	Completed	102				60	42
Auditor-General Bridging Project 2003	639	20 Matriculants	Completed	20				9	11
Thuthuka CTA/QE Project (SAICA) 2003	2 967	79	Completed	79				31	48
<b>Year 3 (Y3)</b>									
CFA Learnership Preparedness Programme (LPP)	2 986	100	Completed	80	11		9	45	55
Edumap Enrichment Project	1 198	30 Matriculants	Completed	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	Completed	20				7	13
ORT Careers Course	2 886	409	Completed	333	3		73	144	265
Thuthuka Eastern Cape English Project 2003/04	265	2400	Completed	2 318			82	1 043	1357
GTH - Unemployed Tertiary Accounting Graduate Support Programme - Phase II	1 787	50	Completed	50				20	30
Thuthuka CTA/QE 2004/05	7 193	131	Current	129			2	69	62
Progression Options CC	1 682	45 Disabled	Closed	41	1	2	1	29	16
St Mary's Outreach Project 2003 - 2005	523	25	Completed	25				10	15
Moore's Rowland - Undergraduate Academic Assistance Programme	157	20	Completed	8	1	5	6	7	13
Scimathus - Science and Mathematics Second Chance Programme	481	28	Completed	1			27	15	13
Auditor-General Bridging Project 2004/05	847	20 Matriculants	Completed	20				12	8
GTH - Unemployed Tertiary Accounting Graduate Support Programme - Phase III	1 809	48 (2 Disabled)	Completed	46 (2)	2			8 (1)	40(1)
ORT Careers Course - Phase III	3 107	480	Current						
<b>Year 4 (Y4)</b>									
BDO Spencer Stewart Workplace Readiness Programme	1 524	17	Current	24			1	16	9
CIMA Tirisano Learnership Programme	788	10	Current	10				6	4
Thuthuka Undergraduate Programme	2 000	40	Completed	40				30	10
Thuthuka Workplace Readiness Programme	409	260	Current	260				125	135
<b>Year 5 (Y5)</b>									
ORT Siyaphambili	2 515	250	Recruiting						
Scimathus - Science and Mathematics Second Chance Programme - Phase II	556	21	Current	2			19	7	14
Thuthuka CTA/QE Work Readiness Programme	3 902	133	Current	132			1	72	61
Stanley Hutcheson & Associates Workplace Readiness Programme (NQF 5)	4 391	100	Recruiting						
PAAB Workplace Readiness Programme (NQF 6)	509	120	Recruiting						
The Skills Framework Workplace Readiness Programme (NQF 5)	3 786	50	Recruiting						
Thuthuka Leadership Workplace Readiness Programme (NQF 5)	1 812	770	Recruiting						
Thuthuka - Jhb University CTA 2006	2 452	35	Recruiting						
GTH - Unemployed Tertiary Accounting Graduate Support Programme - Phase IV	10 466	154	Current						
CIMA Tirisano Phase II	1 246	10	Completed	142	1		3	59	87
<b>Total</b>	<b>78 746</b>	<b>6 490</b>							

\*Fasset funding amounts are inclusive of VAT.

### Key

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

# Acronyms



ABASA	Association for the Advancement of Black Accountants of Southern Africa		
ABET	Adult Basic Education and Training		
ACCA	Association of Chartered Certified Accountants		
ATR	Annual Training Report		
BUSA	Business Unity South Africa		
CEO	Chief Executive Officer		
CFA	Institute of Commercial and Financial Accountants of Southern Africa (Now CPA)		
CIMA	Chartered Institute of Management Accountants		
CPE	Continuous Professional Education		
DIDTETA	Diplomacy, Intelligence, Defence and Trade Education and Training Authority		
DoL	Department of Labour		
EEA	Employment Equity Act of 1998		
ETQA	Education and Training Quality Assurance		
EUPEC	Education Upliftment Project - Eastern Cape		
EUPLIM	Education Upliftment Project - Limpopo		
EXCO	Executive Committee		
Fasset	Financial and Accounting Services Seta		
FSA	Fasset Skills Advisor		
GAAP	Generally Accepted Accounting Practice		
GDS	Growth and Development Summit		
GTH	Guarantee Trust Holdings		
IDC	Independent Development Corporation		
IIP	Investors In People		
IPFA	Institute for Public Finance and Auditing		
JIP	Joint Implementation Plan		
MoU	Memorandum of Understanding		
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 (Act No 1 of 1999), as amended		
PSA	Public Servants Association		
PSETA	Public Services Seta		
SAICA	South African Institute of Chartered Accountants		
SAQA	South African Qualifications Authority		
SARS	South African Revenue Service		
SCG	Strategic Cash Grant		
SDA	Skills Development Act, 1998 (Act No 97 of 1998), as amended		
SDF	Skills Development Facilitator		
SDL	Skills Development Levy		
SDLA	Skills Development Levies Act, 1999 (Act No 9 of 1999), as amended		
Seta	Sector Education and Training Authority		
SMME	Small, Medium, Micro Enterprise		
SSP	Sector Skills Plan		
WSP	Workplace Skills Plan		
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)	Y6	Year 6 (1 April 2005 to 31 March 2006)
Y7	Year 7 (1 April 2006 to 31 March 2007)	Y8	Year 8 (1 April 2007 to 31 March 2008)
Y9	Year 9 (1 April 2008 to 31 March 2009)	Y10	Year 10 (1 April 2009 to 31 March 2010)

