

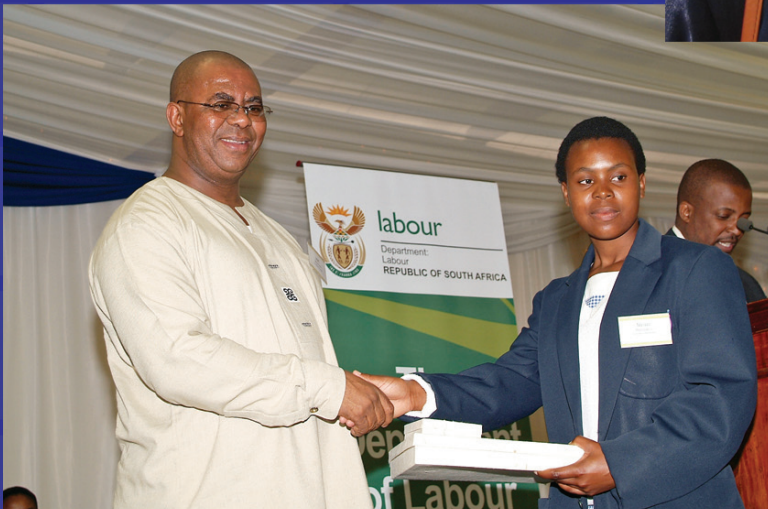


# Annual Report

1 April 2005 to 31 March 2006

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



Fasset Social Development Project Celebrations and Participants (Year 6)

## 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 the 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 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 entrants into the labour market

## 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."

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## CHAIRMAN'S FOREWORD

**HONOURABLE MINISTER, IT IS WITH PLEASURE THAT WE PRESENT TO YOU THE ANNUAL REPORT OF THE SETA FOR FINANCE, ACCOUNTING, MANAGEMENT CONSULTING AND OTHER FINANCIAL SERVICES (FASSET) FOR THE PERIOD 1 APRIL 2005 TO 31 MARCH 2006.**

### INTRODUCTION

In March 2005, Fasset was re-licensed to continue operating in its current form for the second phase of the Department of Labour's (DoL's) National Skills Development Strategy (NSDS II), which came into effect on 1 April 2006 and will run to 31 March 2010. The year under review was our sixth year of operation (Year 6) and the first year of Fasset's functioning in terms of NSDS II. An overview of Fasset's functioning and performance against NSDS II is provided in Appendix A on page 42 of this Report.

With the same level of dedication and enthusiasm shown in the first NSDS (NSDS I), Fasset remains firmly committed to tackling the NSDS II targets. Our achievements during the year under review confirm that the Seta is on track in terms of meeting its targets.

### FINANCIAL INFORMATION

During the period under review, Fasset was financed predominantly from skills development levies paid in accordance with the Skills Development Levies Act, 1999 (Act No 9 of 1999) (SDLA), comprising 1% of the salary and wage bill of employers in the sector. Levies were distributed 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

Members were able to access the following grants during the period:

- Mandatory Grant
  - Workplace Skills Plan (WSP) Grant
- Discretionary Grants
  - Strategic Cash Grant (SCG)
  - Learnership Cash Grant (LCG)

Discretionary grants are disbursed in accordance with sector priorities as defined in the Sector Skills Plan (SSP) which are approved by the Management Board at an annual strategic planning session.

It is appropriate that we mention, as we did in our last Annual Report, that all unclaimed funds, amounting to R44 822 197 for the period under review, have been allocated to strategic projects identified by the Management Board. All budgeted income for Year 6 has either been spent or allocated to specific skills development projects for the sector. While our Financial Reports may reflect unspent monies in the Fasset bank accounts, the situation is that Generally Accepted Accounting Practice (GAAP) does not allow for committed funds to be reported as a liability. This creates the misconception of unspent funds, however, 100% of budgeted funds have either been spent or allocated to approved projects which are currently in progress and for which payment is only due on full completion of all deliverables. Certain projects are fairly extensive and/or complicated and finalisation of all deliverables can take up to four years, during which time the allocated funding is held in trust and is therefore reflected in the Fasset bank accounts.

Fasset has spent not only this year's levy income but also paid for projects from funds set aside for that purpose (in the form of reserves) in previous years. We specifically direct your attention to the deficit reflected in the Statement of Financial Performance, which discloses the ever-

increasing ability of Fasset to channel resources to where these are best needed for skills development, in a cost effective manner and in accordance with the Public Finance Management Act (Act No 1 of 1999), as amended (PFMA). This is a positive development.

It must be pointed out to stakeholders that the quality of levy information received is beyond the control of the Accounting Authority. Every effort is being made to compensate for this.

The current year saw an increase in the levies, mainly due to the Seta being deregistered for Value Added Taxation (VAT). As a result, the Administration income reflected in the Annual Financial Statements is inclusive of VAT. The net effect of Seta transfers also contributes to this increase. Although Fasset anticipated that the levy exemption threshold would decrease the levy income, the sector has experienced growth with an increase in the number of new members as well as an increase in the payroll costs of existing members.

Full financial details are provided later in this Report (see pages 18 to 41).

### FOCUS AND ACHIEVEMENTS

The year under review saw efforts predominantly focused on interpreting and translating targets and, where appropriate, realigning Fasset's strategy to the adjusted national strategy to ensure that NSDS II targets were met, and that all unclaimed monies were either spent or formally allocated to skills development initiatives to raise skills levels within the sector.

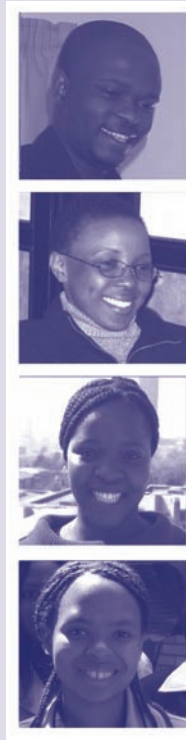
Improving access for unemployed learners into the mainstream economy is one of the key objectives of NSDS II. This remains an ongoing challenge for Fasset and the sector as a whole, given the nature of the sector, and the dire need for transformation within the sector. Inroads are, however, being made and Fasset is well positioned to assist its stakeholders in fast tracking transformation. Our Management Board's strategic decision to continue to support non-levy-paying members is expected to impact significantly in this regard. This decision was based on our recognition of the fact that non-levy-paying Small, Medium and Micro Enterprises (SMMEs) constitute a sizeable pool of employers who are well positioned to create employment opportunities for unemployed learners. Our support to non-levy-paying SMMEs will therefore comprise the LCG and

the provision of Continuous Professional Education (CPE). The latter is designed specifically to assist smaller practitioners in the sector in ensuring they remain up to date with all legislative developments pertinent to their professional functioning.

We are very aware of the fact that success is always a team effort and recognise that none of our achievements would have been possible without the full dedication, commitment and support of all of our sector stakeholders: organised business, organised labour, professional bodies, the Fasset staff, our service providers and the learners themselves. We thank each and every one of you for your exceptional commitment and very hard work during this, the first year of our second five-year term, which has ensured Fasset's ongoing success.



**MARYANNE TROLLOPE**  
Chairman  
31 July 2006



### FRAUD POLICY STATEMENT

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.

### ANTI-FRAUD CHARTER

In implementing the Fraud Policy of Fasset:

#### We are maintaining an anti-fraud environment throughout Fasset

- The Fraud Prevention Plan is being implemented throughout Fasset
- Fraud reduction is a priority in all governing structures (eg the Management Board, the various Working Committees and the Audit Committee)
- We will continue to embrace and acknowledge the contribution of all employees and members of the community who assist in the combating of fraud and in the prosecution of fraudsters

#### We understand and manage our risks

- Our fraud risks are reviewed and assessed on a regular basis
- Cognisance to fraud risk is given in all procedure changes
- Internal controls and audit measures are in place to identify and manage fraud risk

#### We are proactive in defending our assets

- We are forming strategic alliances in combating fraud
- We are establishing a profile on potential fraudsters
- We are monitoring direct and indirect losses incurred via fraud, through effective information and communication

#### We react swiftly when a crime is uncovered

- We react swiftly and appropriately when a crime is uncovered



## CHIEF EXECUTIVE OFFICER'S REPORT

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

#### INTRODUCTION

It is gratifying to see that a number of projects which we have supported over the past six years are now firmly established in the Fasset sector and continue to deliver consistent results in terms of meeting targets. With regards to transformation of the sector, the number of black learners coming through the system is steadily increasing and we are beginning to see tangible evidence of the positive impact that Fasset-funded projects are having on the lives of individuals.

Whereas NSDS I focused largely on increasing the number of skilled people in the sector, NSDS II has a strong emphasis on the impact of interventions and on long-term sustainability. We support this viewpoint and have always been very conscious of the fact that any programme or project that we fund needs to have long-term sustainability. In a nutshell, learners need to find full-time employment - an outcome that has always been the cornerstone of any initiative that we have funded.

Since inception, Fasset has enjoyed strong stakeholder support. The number of WSPs submitted to the Seta continues to grow year-on-year. Indicative too, of the strong stakeholder support that we enjoy, is the fact that when in August 2005 the Minister of Finance, Trevor Manuel, raised the ceiling for the exemption of payment of the Skills Development Levy (SDL) from R250 000 to R500 000 per annum, the resultant non-levy-paying members wanted to voluntarily pay the levy because they believe Fasset is adding so much value. In accordance with a SARS ruling, they are unfortunately not permitted to voluntarily pay the levy; however, we have opened other doors to them. As reported in our Chairman's Foreword, our Management Board has taken a strategic decision to continue supporting these stakeholders by way of our discretionary grants, eg LCG, and other interventions, eg CPE and Adult Basic Education and Training (ABET).

Employers in our sector recognise that if they are to ensure business growth and future success, they need to meet their skills needs and, at the same time, change the demographic profile of their businesses. They see Fasset as a vehicle for facilitating this process.

#### LEARNERSHIPS

Building on the strong foundations which we have already established, our focus over the next four years will be on success indicators such as completion rates, placement rates, tracking best practices and transforming the demographic profile of the sector, as opposed to concentrating on increasing the number of learners registered on learnerships simply to fulfil NSDS targets.

During the period under review, an additional learnership was made available - the Certificate in Debt Recovery (NQF 4) - bringing the total number of learnerships available to the sector to 18. The design and development phases of the Certificate in Debt Recovery Learnership are complete and the Learnership will be implemented during Year 7.

On the other hand, the Institute for Public Finance and Auditing (IPFA) Learnership Project, with the objective of piloting the Certificate in Public Sector Accounting (NQF 4) and the Diploma in Public Sector Accounting (NQF 5), was concluded in March 2006 with seven learners receiving their Diplomas in Public Sector Accounting. The Learnership has proved successful in terms of opening learning pathways for public sector staff and we are proud to report that there are currently 219 learners in the Public Services Seta (PSETA) sector registered on the Certificate in Public Sector Accounting.

Of the 26 031 learners registered on Fasset learnerships to date:

- 4 413 learners were signed on during the period under review
- 16 133 are 18.1 learners (previously employed)

- 9 898 are 18.2 learners (previously unemployed)
- 10 885 have already completed their learnership
- 15 146 are currently registered (3/2006)

The percentage of black learners (African, Indian and Coloured) signed onto Fasset learnerships is increasing steadily. In Year 2, 29% of registered learners were black. This increased to some 45% of learners in Year 6. For the past five years, Fasset has consistently incentivised employers to sign on black learners by way of the LCG. In previous years, this grant was limited to one learner per organisation, however, in Year 6 employers were able to claim for up to five learners per organisation, to a maximum of R125 000 (depending on the size of the organisation). This strategy has undoubtedly contributed to the increase in the number of black learners on Fasset learnerships over the past year - applications were approved for 473 black learners. The drive to increase the number of black learners in the sector will continue in future years.

Minister of Finance, Trevor Manuel, announced in his 2006 Budget Speech that learnership tax allowances have not only been increased, but extended to 2011 - an incentive for employers that will assist the various Setas in achieving their NSDS II targets for signing learners onto learnerships. Government's decision to allow employers to claim back 150% of the salary of a disabled learner already in employment, and 175% of the salary of a previously unemployed disabled learner, is also expected to increase the number of disabled learners in employment markedly. A further incentive for employers is the fact that bursaries and scholarships for current, and future employees, will now also be tax-exempt, provided the employer funds tuition and tuition-related expenses.

In terms of cross-sectoral learnerships, Fasset has, to date, concluded 21 Memoranda of Understanding (MoUs) with other Setas. These MoUs facilitate the implementation of learnerships across sectors and there are currently 379 learners from other sectors on Fasset learnerships. Some 258 of these learners were registered during the period under review.

## QUALITY ASSURANCE

The Skills Development Act, 1998 (Act No 97 of 1998), as amended (SDA) stipulates that Setas have to be accredited by the South African Qualifications Authority (SAQA) as

Education and Training Quality Assurance bodies (ETQAs). Fasset's ETQA was re-certified during the year under review for the purpose of quality assuring learning programmes and its accreditation was extended until 26 September 2008. We have focused very strongly over the past year on consolidating the quality assurance aspects of all learning programmes and are in the process of re-registering the unit standards and qualifications due to expire in Year 7.

An additional 275 workplaces were accredited for the implementation of Fasset learnerships during the period, bringing the total number of accredited workplaces to 750. The significant increase (58%) in accredited workplaces can be attributed to the excellent quality assurance work undertaken by professional bodies in our sector, who serve as our Quality Assurance Partners (QAPs) (previously referred to as agent ETQAs).

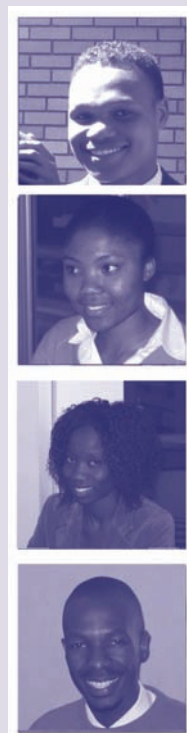
We have embarked on a process of quality assurance of workplace providers and the initial stages of accreditation and monitoring of workplace sites is well underway. We also initiated the verification stage in Year 6 and plan to audit workplace sites in Year 7. Our achievements in this regard confirm that employers are committed to skills development and that learners are the beneficiaries of a complete quality cycle.

Given our sector's strong commitment to training, we have an opportunity to move towards determining success indicators for Institutes of Sectoral Excellence (ISOEs). As the first step, we implemented a project to research the concept of Sectoral Excellence in Year 6, the results of which will be available in Year 7. In line with this, we encourage employers and training providers to strive towards best practice principles for training in learnerships and learning programmes.

## SKILLS PLANNING

The substantial number of changes in the regulatory environment during the period, coupled with the start of a new national strategy period, created challenges in general, and for grant submissions in particular.

A draft SSP for the period 2005-2010 was prepared in Year 5 and minor adjustments were made to this in Year 6 to align it to the final NSDS. The updated SSP identified a number of scarce and critical skills within the Fasset sector for the Year 7 financial year (see Table 1 overleaf). Scarce skills are defined as



those occupations characterised by a scarcity of qualified and experienced people (current and anticipated), ie occupations in which numerical imbalances exist in employment as a result of a difference between the demand for and the supply of skills. Critical skills are defined as particular skills within an occupation, or the qualitative deficiencies that may exist or develop in the skills apparatus of the existing workforce (DoL, *Draft Framework for Identifying and Monitoring Scarce Skills, 2005*).

We have again seen an increase in employer participation rates with 2 708 WSP submissions and 2 910 Skills Development Facilitators (SDFs) registered during the period (see Table 2 on page 7). Fasset's engagement of Fasset Skills Advisors (FSAs), coupled with proactive communication with our employers, has facilitated the achievement of these participation rates. The FSAs offer support, advice and expertise to Fasset employers (including the vast majority of our SMMEs). They assist our stakeholders in understanding the Seta's role, the grant and levy structure, the broad objectives of applicable legislation such as the SDA and SDLA, upcoming events at the Seta, and information about learnerships and other relevant skills programmes.

During the period under review, Fasset hosted four training interventions for SDFs enabling them to enhance their skills and expertise. Some 452 delegates attended the training which covered the topics of Change Management, Diversity Management, Talent Management and Knowledge Management. Over and above this, Fasset hosted an overview workshop for new SDFs, entitled 'Introduction to the Role of the SDF', to assist SDFs in applying best practice in order to improve skills development implementation in the workplace.

When Fasset was first established, CPE was identified as an area in which Fasset would be able to add value to its stakeholders. CPE, a skills development initiative that is offered at no cost, is welcomed by our members and is of substantial value, particularly to SMMEs in our sector, and those located in areas outside of the major urban centres. Attendance at our CPE events continues to climb, and 4 398 attendees were hosted at the training sessions held countrywide in Year 6. These training sessions included a technical update on the 2005/06 Budget (2 216 attendees), a course on Black Economic Empowerment (BEE) (680 attendees) and one on fraud (660 attendees) and a 'soft skills' training course on personal and social mastery (842 attendees).

Although it is estimated that only 3% of employees in the sector require ABET, our Management Board felt that Fasset has a social obligation to provide ABET training to the applicable employees within the sector. ABET training was introduced in Year 5 and continued during the period under review. Substantive press coverage was achieved on our ABET programme during the period which assisted in positioning Fasset and advocating this programme. The initiative saw employees trained across four levels of Numeracy and Communication. Table 3 on page 7 depicts the number of employees who benefited from our ABET programme nationally.

Table 1: Scarce and Critical Skills within the Fasset Sector for the Year 7 Financial Year

Occupational Category	Job Title	Specialisation/ Critical Skill Requirement	Number Required	
Legislators, Senior Officials, Managers and Owner Managers	Owner Manager	Specialist Financial Skills	7 593	
		Basic Computer Skills	2 070	
		Management and Leadership Skills	3 568	
		Marketing Skills	2 448	
Professionals	Finance Manager	Audit Managers	16	
		General Accountant	Accounting Professionals	1 700
			Specialist Financial Skills	5 554
			Marketing Skills	6 344
			Management and Leadership Skills	4 259
Basic Computer Skills	3 118			
Clerical and Administrative Workers	Bookkeeper	Bookkeeping Clerks	21	
		Accounts Clerk	Accounting Clerks	14
	Administrative and Support Skills		5 666	
	Specialist Financial Skills		6 117	
	Basic Computer Skills	6 708		

ABET is a new initiative and a number of learners enrolled on the programme are still progressing through the various levels. Furthermore, a number of employers in our sector have embarked upon their own ABET programmes, which means that the number of learners who have completed ABET may very well be higher than we are able to report.

In comparison to previous years, a smaller number of employers (48) applied for the SCG by the deadline date of 31 March 2006 with some 11 requests for extensions received. The SCG is a special skills initiative grant that enables employers to claim back a maximum of 20% of their SDL for undertaking education and training interventions in specific strategic skills priority areas, namely:

- the employment of previously unemployed black and/or disabled learners on learnerships
- the provision of bursaries to black and/or disabled people to study at recognised tertiary institutions or professional bodies
- the provision of workplace experience to black and/or disabled learners from tertiary institutions
- assistance by employers to black and/or disabled people in creating new ventures within the sector
- the provision of financial support to employed black and/or disabled people to study at recognised tertiary institutions or professional bodies

Significant changes were introduced to the Grant Funding Regulations in July 2005. These regulations govern the criteria, deadline dates and percentage payments for mandatory grants. The main changes included:

- the extension of the WSP submission deadline from 30 June to 30 September in Year 6 (reverting to 30 June in subsequent financial years)

- combining the Annual Training Report (ATR) and WSP into one submission for which employers would be able to claim 50% of the SDL from Year 7 onwards. For Year 6, employers could claim a once-off grant of 50% of the SDL on submission of the WSP for Year 6 only. At July 2006, DoL had not yet clarified whether the Year 6 WSP would be a submission requirement for the approval of the Year 7 Mandatory Grant
- businesses with a payroll of under R500 000 per annum, who are exempt from SDL payments, were relieved of submitting a WSP in order to obtain grants and benefits
- levy-paying employers are required to submit a Mandatory Grant application by the deadline date in order to participate in, and benefit from, Seta benefits and grants

### MARKETING COMMUNICATION

Fasset recognises the invaluable role a professional marketing approach can play in any organisation and, since inception, our strong marketing orientation has helped the Seta to:

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

We also recognise that the media plays an important role as one of the sector's gate-keepers and we work continuously at maintaining the strong relationships forged in previous years with the media. We enjoy fair and equitable media coverage and Fasset is portrayed as delivering to the needs of its stakeholders. During Year 6, R 1 541 179

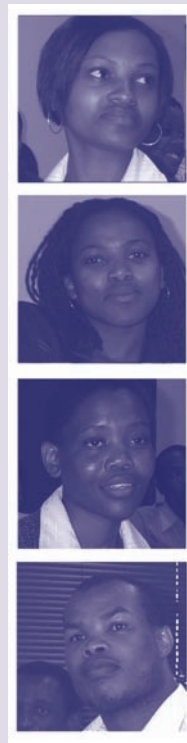


Table 2: WSP Participation by Fasset Members

	Year 5	Year 6	Percentage Change
WSPs Submitted	2 489	2 708	+ 9%
WSP Grants Paid	2 255	2 236	- 0,008%*
Registered SDFs	2 593	2 910	+ 12%
Employers with SDFs	3 285	3 706	+ 13%

\* DoL extended the deadline date for submission of the WSP from 30 June to 30 September, thus impacting on processing deadlines

Table 3: Employee Participation in ABET (at 3/2006)

ABET Area	Level	Employees Registered	Employees Completed
Numeracy	2	2	0
	3	2	0
Communication	0	26	21
	1	56	42
	2	79	36
	3	46	7
	4	24	5
<b>Total</b>		<b>235</b>	<b>111</b>

worth of free publicity was obtained. While this figure may appear slightly lower than that reported in the past, this is not the case: this year, for the first time, the costs of advertising and the media consultant's costs have been deducted from the value of publicity. The amount of free publicity obtained on this basis was on par with the previous year.

Historically, we have been fortunate in that we have enjoyed good relationships with key stakeholders such as DoL, the Labour Portfolio Committee, organised business and organised labour, and Fasset has continued to strengthen these relationships during the year under review.

The Fasset website remains a flagship mechanism for ongoing communication. During the year under review, 97 200 visitors visited Fasset's website. The number of visitors peaked in August 2005 with some 18 879 visitors. A definite increase in website visits can be discerned when CPE is offered with stakeholders preferring the online system for registrations. The Events page was the most popular page and accounted for 24,74% of site visits. The revamped website was launched in February 2006 and includes a host of new features which will improve the speed of sourcing information and increase user-friendliness for stakeholders.

Fasset's Call Centre continues to serve as an important communication tool with our stringent quality control process ensuring high quality delivery to stakeholders. During the year under review, the overwhelming majority of calls (2 983 of the 8 125 in total) were related to CPE, followed by learnership enquiries which totalled 2 580 calls.

### SOCIAL DEVELOPMENT PROJECTS

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

Six new projects were identified and approved for funding during the period under review (see Table 4 below), bringing the total number of approved projects to date to 45. Some 32 projects have already run to closure and the remaining 13 are due for completion during 2007 and 2008, of which eight still fall within the first five-year funding period.

All new projects are approved by the Executive Committee (Exco). For the year under review, R32 216 794 was allocated to Social Development Projects in pursuance of NSDS Target 4.2 (see Appendix A on page 42).

Table 4: Year 6 Fasset-funded Social Development Projects (at 3/2006)

Project	Funding <sup>0</sup> (R'000)	Beneficiaries (Number)	Status	Race				Gender	
				A	I	W	C	M	F
Schimathus Phase 3	727	18	Current	2			16	7	11
Bonani Workplace Readiness Programme (NQF 5)	13 692	Group 1: 200	Current	194	1		5	77	123
		Group 2: 200	Recruiting						
Thusanani Workplace Readiness Programme (NQF 5)	5 957	140	Current	136	2		2	66	75
Thuthuka Camps 2006	1 113	186	Current	186				101	85
		139	Recruiting						
Thuthuka University of Fort Hare Post Graduate Programme 2006/07	4 409	2006: 15	Current	15				7	8
		2007: 45	Recruiting						
Thuthuka Small Practices CTA Workplace Readiness Programme	6 148	50	Recruiting						
<b>Total</b>	<b>32 046<sup>1</sup></b>	<b>1 132</b>							

<sup>0</sup> Fasset funding amounts are inclusive of VAT.

<sup>1</sup> The remaining R170 000 of the R32 216 794 allocated to Social Development Projects was allocated to the Centralised Marketing Fund.

Key: A - African I - Indian W - White C - Coloured M - Male F - Female  - Learners still being selected

As at March 2006, R111 000 323 had been allocated to these Social Development Projects. During the year, monitoring procedures were improved and tighter control measures were implemented - each project is monitored on an ongoing basis and measured against agreed objectives and deliverables.

All Social Development Projects are geared towards addressing the demographic profile within the sector, and all therefore aim to be in line with the NSDS targets:

- 85% black
- 54% women
- 4% disabled

Projects range 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.

The Thuthuka Education Upliftment Project (funded by the National Skills fund (NSF)) was initiated in the Eastern Cape (EUPEC) in 2002 and was extended to Limpopo (EUPMIM) and KwaZulu-Natal (EUPKZN) in 2004. EUPEC continues to prove successful and justifies the long effort and hard work invested in the project since 2002. Some R29 679 672 in additional funding was approved in 2004 for the extension of the project within the Eastern Cape for a further two years (2004-2006). Results indicate that, at a school level, the project intervention has had a positive influence on the Mathematics, Accounting and English results of learners. The first cohort of Fort Hare BCom students will graduate in 2006.

The Limpopo and KwaZulu-Natal extensions of the project are firmly in delivery mode (See Table 5 below).

## INVESTORS IN PEOPLE

Fasset is a recognised Investor in People (IIP) organisation. We have also decided to continue with our pilot project which supports SMMEs in obtaining this people development standard until clarity is obtained from the Minister of Labour on a framework of People Development Standards, which will hopefully include IIP.

During the year under review, 22 organisations in the sector committed to achieving IIP, of which:

- seven achieved the standard
- seven committed to attending 'internal facilitator' training in May 2006
- four committed to attempting their first assessment
- four committed to attempting their second assessment (standard not yet achieved)

## ORGANISATIONAL FRAMEWORK

Fasset's successes would not have been possible without a strong organisational infrastructure. The Management Board, together with the 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 (see page 18). Other pertinent information relating to the Board is provided below:

Composition of the Board:

- 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, namely:

- 27 May 2005
- 14 September 2005

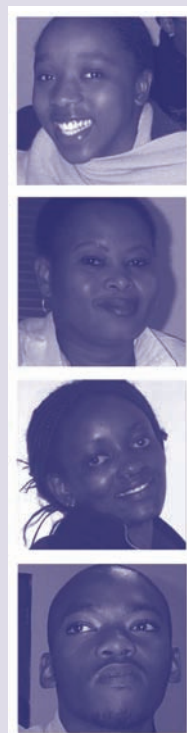


Table 5: NSF-funded Education Upliftment Project Summary (at 3/2006)

Activities	Eastern Cape Participants		Limpopo/KwaZulu-Natal Participants	
	Planned	Achieved	Planned	Achieved
Accounting, English and Mathematics	30 600	24 518	19 200	14 338
Educators	4 000	4 415	7 200	3 070
Street Finance	2 500	1 734	3 000	1 288
Universities	841	472	209	243
Budget	R62 608 829		R76 881 937	

- 24 November 2005
- 10 March 2006

In accordance with Fasset's Constitution, the Management Board is re-elected on an annual basis. Appendix C (page 45) provides details on the composition of the Board, which took office as at 27 May 2005 with Maryanne Trollope re-elected as Chairman for her third term. The number of meetings each member attended is also detailed.

The Board is supported by seven Working Committees, as detailed in Appendix D (page 46). The duties of these Committees include the formulation of policies and procedures. With the exception of the Audit Committee, Working Committee members are not remunerated for attendance at Committee meetings. They are, however, remunerated 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 approved by the Management Board (5/2004). The Board subsequently also approved a remuneration rate, as per the Auditor-General rate, of R1 037 per hour for ad hoc meetings (this rate is reviewed on an annual basis based on the Auditor-General rate for audit partners).

The Audit Committee held four formal meetings and three ad hoc meetings during the period under review. One Independent Member resigned during the course of the year. Details of the Audit Committee members, the number of meetings attended, and the remuneration received appear in Appendix D (page 46).

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.

### **Management Team**

During the period under review, Fasset's Management Team consisted of the CEO and five professionals. The Management Team is tasked with implementing strategies and policies outlined in the legislation and agreed to by the Management Board. Specifically, the Management Team is responsible for:

- implementing core functions as defined by the SDA
- implementing strategies and policies
- implementing financial administration systems and accounting in terms of the budget
- maintaining and constantly re-evaluating the governance systems
- research
- dissemination of information
- maintaining the database and website
- performing all administrative functions necessary to ensure compliance with relevant legislation

Fasset has, since inception, outsourced non-core activities. IT and financial functions are outsourced to Deloitte, who have been re-contracted for a further four years, effective 1 April 2006 to 31 March 2010. Project Management is outsourced to OD&MS. PricewaterhouseCoopers fulfilled the internal audit function until 31 March 2006 and OMA will serve as Fasset's internal auditors from 1 April 2006 to 31 March 2010.

### **Staffing**

On 31 March 2006, Fasset had a staff complement of 18. There were three new appointments during Year 6, one temporary position was converted to a permanent position and two staff members left the organisation. Firmly committed to developing our own staff, three employees were promoted: Gugu Moetanalo from Administration Officer to Operations Manager; Caroline Pulford from Publications Officer to Communications and Marketing Manager; and Thabiso Sebashe from Receptionist to Communications Assistant. In line with multi-skilling, two employees changed departments. A breakdown of the demographic profile and staffing positions is provided in Table 6 (page 11) and the organisation structure is provided in Appendix B (page 44).

Our Remuneration Policy is designed to establish and maintain competitive, fair, equitable and market-related compensation to attract, motivate and retain talented people.

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

Fasset has a strong focus on internal staff development. We participate as a member of Fasset in terms of workplace skills planning, and our staff attend many of the CPE interventions that we host for our sector. In addition to this, private training providers are used to train our staff externally and many staff are engaged in furthering their education via degrees or diplomas.

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

All 20 staff members employed at Fasset during the period attended at least one training

intervention. Fifty training interventions, covering nine areas, were attended during the course of the year with Life Skills and CPE being the most popular. In total, approximately 687 hours were spent on training.

### CORPORATE GOVERNANCE

This item is addressed in the Accounting Authority Report (page 18), 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 PFMA.

We actively implement supply chain management regulations as required for public entities, and are in the process of finalising our policy manual in this regard.

### Internal Financial Control

Internal financial control focuses on critical risk areas, which are identified by Management and reviewed by the Audit Committee. The Management Team and the governing structures are confident that the standards that have been set and the systems of internal control and accounting control that have been implemented are adequate and ensure the integrity and reliability of the Financial Statements and accountability of Fasset's assets. These systems are continuously monitored throughout the year by both management and Internal Audit.

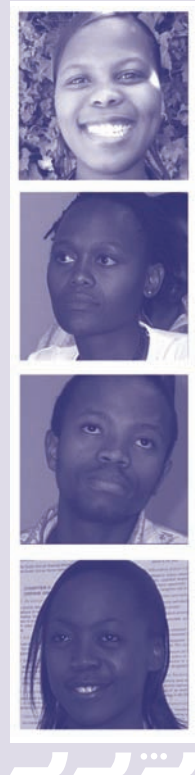


Table 6: Staff Profile

Staff Member	Position	Race	Gender	Date Joined	Termination Date
Aboo Amod	Learnership/ETQA Officer	Indian	Male	6/2005	
Nomadlozi Buthelezi	Learnership/ETQA Assistant	African	Female	10/2003	
Lauren Derman	Skills Planning Manager	White	Female	4/2001	
Nandipha Dlova	CPE Officer	African	Female	7/2005	
Juliet Gillies	Strategic Interventions Manager	White	Female	3/2001	2/2006
Cheryl James	Chief Executive Officer	White	Female	5/2000	
Tania Lee	Projects Manager	Coloured	Female	3/2004	
Annah Maseko	Office Attendant	African	Female	9/2003	
Angi Mills-Johnson	Marketing Assistant	White	Female	9/2005	
Gugu Moetanalo	Operations Manager	African	Female	6/2000	
Itumeleng Msibi	Operations Officer	African	Female	11/2001	
Nawaal Patel	Learnership/ETQA Manager	Coloured	Female	8/2000	
Naamochenee Pillay	Skills Planning Officer	Indian	Female	5/2005	
Caroline Pulford	Communications & Marketing Manager	White	Female	5/2003	
Desiree Rikhotso	Receptionist	African	Female	10/2005	
Yvonne Sawyer	Learnership/ETQA Officer	Coloured	Female	2/2001	11/2005
Thabiso Sebashe	Communications Assistant	African	Female	9/2003	
Yogini Sigamoney	Learnership/ETQA Officer	Indian	Female	8/2003	
Marietjie Smit	Skills Planning Officer	White	Female	8/2003	
Pearl Thomo	Office Attendant	African	Female	9/2005	

Table 7: Occupational Levels and Grades

Occupational Category	Job Title	Grade (Patterson)	Salary Band
Senior Managers	CEO	E2	R600 000 - R815 000
Professionals	Managers	DU	R290 000 - R535 000
Skilled Technical	Officers	CL	R115 000 - R200 000
Clerks	Assistants	BU	R85 000 - R140 000
Elementary Workers	Attendants	AU	R24 000 - R29 000

The system of internal controls provides reasonable, as opposed to absolute assurance. During the period under review adequate accounting records were maintained. The external auditors are responsible for reporting on fair representation of the Annual Financial Statements.

### 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 and no unmitigated high risk areas have been identified.

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

Fasset's Code of Ethics ensures that ethical standards are adhered to at all times. The Seta also adheres to a comprehensive suite of policies (see Table 8 below) 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 PFMA, as reported on in the Accounting Authority Report on page 18. The management of the 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. Fasset therefore complies with best practice and with all legislation with regard to governance.

A Materiality Framework is also in place. 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 Auditor-General. This has indeed been done and the Auditor-General has completed the audit and issued the final report, which can be viewed on page 16 of this Report.

### CHALLENGES

Our sector is predominantly white (see sector statistics in Chart 1 and Table 9 on page 13) and transformation remains an ongoing challenge. Higher Grade Mathematics is a prerequisite for many careers in our sector and this has historically served as a barrier to entry. Attempts to fast track transformation are stymied by the limited number of black Matriculants with Higher Grade

Table 8: Fasset Policies

Appraisal and Succession of Management Board and CEO Policy	Audit Committee Charter
Business Continuity Plan	Code of Conduct
Education and Training Policy	Employment Equity Policy
Financial Policy	Fraud Implementation Plan
Fraud Prevention Plan	Fraud Response Plan
Grant Disbursement Policy	HIV/AIDS Policy
Information System Policy	Management Board and Committee Terms of Reference
Management Board Election Process	Personnel Manual
Procurement Policy (Supply Chain Management)	Projects Policy
Recruitment and Selection Policy and Procedures	Risk Management Framework

Health and safety is covered within the Business Continuity Plan.

Mathematics that are coming through the schooling system, often due to the fact that many schools do not offer Mathematics on the Higher Grade. As Minister of Education, Naledi Pandor points out: "If we don't produce a higher number of young people with Maths and Science, we can forget about higher levels of training. You just can't do it without that basic product" (*Financial Mail*, 18 February 2006).

Financial constraints, poor Accounting education at school level, a lack of proficiency in the English language, a lack of computer facilities within education institutions and inadequate career guidance at school level serve as additional barriers to entry into the sector.

There is, however, light at the end of the tunnel. Initiatives such as the Dinaledi Focus Schools Project, which seeks to increase the number of learners studying Mathematics and Physical Science on the Higher Grade in 102 schools throughout South Africa, augurs well for the future. It is important to recognise, however, that it may still take a number of

years for the impact of this initiative to be felt. It is important, too, to recognise that despite the sector's best efforts to fast track transformation the sector's poor demographic profile cannot be rectified overnight. The true impact of the many initiatives that Fasset has implemented will only be felt in the longer term. The harsh reality is that it takes seven to ten years, on average, to qualify as a Chartered Accountant.

Transformation, therefore, remains the greatest challenge facing the Fasset sector. A strong focus on supporting interventions which address the racial imbalance within the sector, will continue to feature in Fasset's strategic imperatives.

### CONCLUSION

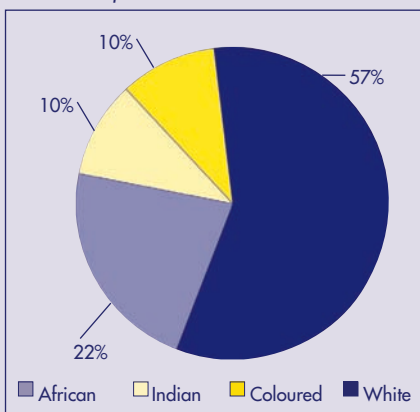
We have now completed the first year of NSDS II. Whereas the first NSDS concentrated on getting structures, systems and processes in place, the current strategy is a lot more focused in that it will bring about a strong culture of learning and delivery. We will therefore need to ensure that we remain firmly focused and continue to meet the needs of our sector.

Going forward, we will continue to support unemployable graduates in our sector. By closing the gap between unemployability, which confounds many recent graduates, and preparing unemployed graduates for the world of work, we will not only be able to address the skills shortage in our sector, but we will also be able to fast track transformation.

By supporting skills development through tax incentives, as Minister of Finance, Trevor Manuel has done in his 2006 Budget, coupled with the national vision of improving skills levels in the country through the NSDS, Government is sending a very strong signal



Chart 1: Population Distribution in the Sector



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

Source: Calculated from WSPs approved by Fasset in Year 6.

Table 9: Distribution of Workers in the Sector According to Occupational Category and Population Group

Occupational Category	African (%)	Coloured (%)	Indian (%)	White (%)
Legislators, Senior Officials, Managers & Owner Managers	8	4	8	81
Professionals	14	6	10	70
Technicians & Associated Professionals	19	8	13	59
Clerks & Administrative Workers	24	18	9	49
Service & Sales Workers	62	18	3	18
Skilled Agricultural & Fishery Workers	50	38	0	13
Skilled Workers, Craft & Related Trades	33	10	4	53
Plant & Machine Operators & Assemblers	44	9	1	46
Labourers & Elementary Occupations	85	12	0	2
<b>Total</b>	<b>22</b>	<b>10</b>	<b>10</b>	<b>57</b>

Source: Calculated from WSPs approved by Fasset in Year 6.

that it has a unified approach towards skills development across all departments. This approach is supporting the work that the Setas are doing. The learnership tax rebate will serve as a catalyst, assisting our sector to transform while, at the same time, increasing our sector's skills base.

Initiatives such as the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) and JIPSA (Joint Initiative on Priority Skills Acquisition) bode very well for the future in that they aim to ensure that South Africa is equipped with the requisite skills to drive and sustain economic growth. Fasset fully supports AsgiSA and JIPSA and we are already contributing to these initiatives. The signing of unemployed learners onto learnerships, both in the Fasset sector as well as other sectors that are implementing Fasset learnerships, will ultimately have the greatest impact in terms of assisting government to achieve its AsgiSA goals of halving unemployment and poverty by 2014. It is important to recognise that Fasset is also improving skills levels through our Social Development Projects and CPE - the beneficiaries of these initiatives often exceed the number of learners signed onto learnerships.

Deputy President, Phumzile Mlambo-Ngcuka has said: *"Nothing short of a skills revolution by a nation united will extricate us from the crisis we face"* (Skills Portal, 29 March 2006). Deputy President, we are pleased to report that the skills revolution has already started in our sector. Together with our stakeholders we strive to ensure that it gains momentum daily.



**CHERYL JAMES**  
**Chief Executive Officer**  
**31 July 2006**

## AUDIT COMMITTEE REPORT

### REPORT OF THE AUDIT COMMITTEE IN TERMS OF REGULATIONS 27 (1) (10) (B) AND (C) OF THE PFMA OF 1999, AS AMENDED.

We are pleased to present our report for the financial year ended 31 March 2006.

#### 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	Formal Meetings Attended
<b>Independent Members</b>	
Marianne Brown (Chairman)	3 of 4
Emmie Heyn*	1 of 4
Judy Grobler	2 of 4
Kobie Kleynhans	2 of 4
Sakhi Simelane	3 of 4
<b>Board Members</b>	
Witness Magoswana	4 of 4
Mandi Olivier	3 of 4

\* Resigned with effect from 5/2005

#### 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
- 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 key activities were undertaken and demonstrate the commitment of the Audit Committee to achieving its mandate:

- Reviewed the risk analysis, as well as the internal and external audit coverage plans and budget
- Monitored progress with the internal audit coverage plans as well as Management's follow-up of matters requiring attention
- Considered internal audit reports and made recommendations as appropriate
- Monitored the effectiveness of the internal control systems and the internal audit function
- Reviewed quarterly management accounts
- Monitored compliance with Fasset policies and applicable legislation
- Monitored the independence and objectivity of both internal and external auditors
- Conducted separate informal meetings with both internal and external audit

#### The Effectiveness of Internal Control and Risk Management

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 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  
19 July 2006



## 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 2006.

#### 1. AUDIT ASSIGNMENT

The Financial Statements as set out on pages 18 to 41, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004) and section 14(6)(a) of the Skills Development Act 1998 (Act No 97 of 1998). These Financial Statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Accounting Authority. My responsibility is to express an opinion on these Financial Statements, based on the audit.

#### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* No 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* No 28954 of 23 June 2006. 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
- evaluating the overall financial statement presentation

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

#### 3. BASIS OF ACCOUNTING

The entity's policy is to prepare Financial Statements on the basis of accounting determined by the National Treasury, as described in Note 1 to the Financial Statements.

#### 4. AUDIT OPINION

In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the Seta for Finance, Accounting, Management Consulting and other Financial Services at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in Note 1 to the Financial Statements, and in the manner required by the Public Finance Management Act (Act No 1 of 1999).

#### 5. 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.



A H Muller for Auditor-General

Pretoria

29 July 2006



AUDITOR-GENERAL

## ANNUAL FINANCIAL STATEMENTS

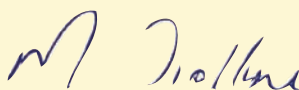
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The Annual Financial Statements for the year ended 31 March 2006, set out on pages 18 to 41, have been approved by the Accounting Authority on 26 May 2006 in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 as amended, and are signed on their behalf by:



**CHERYL JAMES**  
**Chief Executive Officer**  
**26 May 2006**



**MARYANNE TROLLOPE**  
**Chairman**  
**26 May 2006**

## 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 2005 TO 31 MARCH 2006.**

### 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 2006, and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2006. 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, including any interpretations of such Statements issued by the Accounting Practices Board and with the prescribed Standards of Generally Recognised Accounting Practices (GRAP).

Fasset's systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Further, the management of these financial affairs has been undertaken in accordance with the Financial and Procurement Policies and Procedures which have been put in place. In addition, all necessary structures, policies and procedures are in place in order to ensure compliance with the requirements of the PFMA. 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 Management 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 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 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.

### GOING CONCERN

The Accounting Authority has every reason to believe that Fasset will continue to operate as a going concern in the foreseeable future.

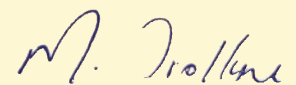
### NSDS

Fasset's achievement in terms of NSDS targets is reflected in Appendix A (page 42).

### REMUNERATION

In terms of Fasset policy, the Management Board is not remunerated. The remuneration of the CEO, who is a full-time employee, is reflected in the table below.

As the Accounting Authority, we have reviewed and approved the Annual Financial Statements contained on pages 18 to 41 herein.



**MARYANNE TROLLOPE**  
Chairman

#### CEO's Remuneration

	2005/06	2004/05	
Pension	R0	R0	Not paid by Fasset. Employees are personally responsible for pension.
Medical	R0	R0	Not paid by Fasset. Employees are personally responsible for medical aid contributions.
Allowances: Car & Subsistence	R48 000	R48 000	Included as part of structuring of package.
Base Remuneration	R690 300	R642 000	
<b>Total Guaranteed Cost to Company</b>	<b>R738 300</b>	<b>R690 000</b>	<b>Benchmarked annually</b>
Non-Guaranteed (at risk) Remuneration	R73 830	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</b>	<b>R812 130</b>	<b>R754 600</b>	

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2006

	Note	2005/06 (R'000)	2004/05 (R'000)
<b>REVENUE</b>			
Skills Development Levy income from non-exchange transactions	2	122 942	113 484
Skills Development Levy penalties and interest from non-exchange transactions		706	1 275
National Skills Fund income	12	35 240	35 329
Donations for special projects	13	11	-
Investment income	3	7 145	6 587
Other income	4	5	-
<b>Total Revenue</b>		<u>166 049</u>	<u>156 675</u>
<b>EXPENSES</b>			
Employer grant and project expenses	5	(121 831)	(99 785)
Administration expenses	6	(12 858)	(10 183)
National Skills Fund expenses	12	(35 240)	(35 329)
Special project expenditure	13	(11)	-
<b>Total Expenses</b>		<u>(169 940)</u>	<u>(145 297)</u>
<b>NET (DEFICIT)/SURPLUS FOR THE YEAR</b>	1	<u>(3 891)</u>	<u>11 378</u>

## STATEMENT OF FINANCIAL POSITION

as at 31 March 2006

	Note	2005/06 (R'000)	2004/05 (R'000)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	874	751
<b>Current Assets</b>			
Accounts receivable from non-exchange transactions	8	26 660	22 934
Accounts receivable - Other	9	611	288
VAT receivable		448	426
Cash and cash equivalents	10	114 502	109 513
		<u>142 221</u>	<u>133 161</u>
<b>TOTAL ASSETS</b>		<u>143 095</u>	<u>133 912</u>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Funds and Reserves</b>			
Employer grant reserve		89	-
Discretionary reserve		72 308	76 288
		<u>72 397</u>	<u>76 288</u>
<b>Current Liabilities</b>			
Accounts payable	11	68 205	55 963
National Skills Fund received in advance	12	2 290	1 433
Government grants and donor funding received in advance	13	6	17
Provisions	14	197	211
		<u>70 698</u>	<u>57 624</u>
<b>TOTAL NET FUNDS AND LIABILITIES</b>		<u>143 095</u>	<u>133 912</u>

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2006

	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 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		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>		-	-	<b>76 288</b>	-	<b>76 288</b>
Restated balance		-	-	76 288	-	<b>76 288</b>
Net deficit per Statement of Financial Performance		-	-	-	(3 891)	<b>(3 891)</b>
Allocation of unappropriated surplus	1	2 763	19 163	(25 817)	3 891	-
Excess reserves transferred to discretionary reserve		(2 763)	(19 074)	21 837	-	-
<b>Balance at 31 March 2006</b>		-	<b>89</b>	<b>72 308</b>	-	<b>72 397</b>

R89 000 is disclosed in the employer grant reserve for newly registered member companies, participating after the legislative cut-off date.

## CASH FLOW STATEMENT

for the year ended 31 March 2006

	Note	2005/06 (R'000)	2004/05 (R'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating Activities</b>			
Cash receipts from stakeholders		117 050	116 070
Levies, interest and penalties received	2	119 190	115 026
Other cash receipts from stakeholders		(2 140)	1 044
Cash paid to stakeholders, suppliers and employees		(154 855)	(128 643)
Grants and project payments		(106 518)	(85 585)
Special projects		(35 251)	(35 329)
Compensation of employees		(4 210)	(3 661)
Payments to suppliers and other		(8 854)	(3 626)
VAT paid		(22)	(442)
Cash utilised in operations	15	(37 805)	(12 573)
Interest received	3	7 059	6 587
Special projects	12 & 13	36 097	29 058
<b>Net cash inflow from operating activities</b>		<b>5 351</b>	<b>23 072</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(367)	(518)
Proceeds from disposal of property, plant and equipment	7 & 15	5	-
<b>Net cash outflow from investing activities</b>		<b>(362)</b>	<b>(518)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4 989</b>	<b>22 554</b>
<b>Cash and cash equivalents at beginning of year</b>	10	<b>109 513</b>	<b>86 959</b>
<b>Cash and cash equivalents at end of year</b>	10	<b>114 502</b>	<b>109 513</b>

# ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2006

## 1. BASIS OF PREPARATION

The Annual Financial Statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by the respective accounting standards.

The Annual Financial Statements have been prepared in accordance with Statements of General Accepted Accounting Practice (GAAP) and the Public Finance Management Act (PFMA), 1999 (Act No 1 of 1999), as amended, including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, replacing the equivalent GAAP Statement as follows:

### Standard of GRAP

- GRAP 1: Presentation of financial statements
- GRAP 2: Cash flow statements
- GRAP 3: Accounting policies, changes in accounting estimates and errors

### Replaced Statement of GAAP

- AC101: Presentation of financial statements
- AC118: Cash flow statements
- AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the Financial Statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the Financial Statements:

Terminology differences:

### Standard of GRAP

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Changes in Net Assets
- Net assets
- Surplus/deficit for the period
- Accumulated surplus/deficit
- Contributions from owners
- Distributions to owners
- Reporting date

### Replaced Statement of GAAP

- Income Statement
- Balance Sheet
- Statement of Changes in Equity

- Equity
- Profit/loss for the period
- Retained earnings
- Share capital
- Dividends
- Balance Sheet date

The Cash Flow Statement can only be prepared in accordance with the direct method.

Specific information such as:

- a. receivables from non-exchange transactions, including taxes and transfers
  - b. taxes and transfers payable
  - c. trade and other payables from non-exchange transactions
- must be presented separately on the Statement of Financial Position.

The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 – 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the Financial Statements, non-disclosure will not affect fair presentation.

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.

## 2. CURRENCY

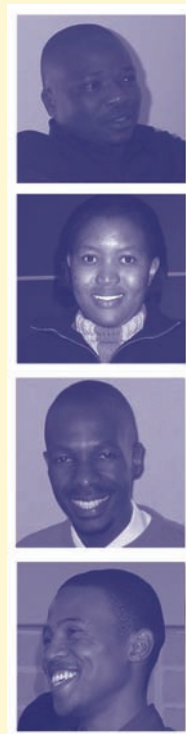
These Financial Statements are presented in South African Rands since that is the currency in which the majority of the entity's transactions are denominated.

## 3. REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable. 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 sections 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No 9 of 1999), as amended, 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). Companies with an annual payroll cost of less than R500 000 are exempted in accordance with section 4(b) of the Levies Act as amended, effective 1 August 2005.

80% of Skills Development Levies are paid over to the Seta (net of 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 was made for outstanding levies due at year end, based on an extrapolation of the first eleven months' levies received during the year. Changes made 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 most recent Standard Operating Procedure issued by DoL.

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.

### **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 50% of its total levy payment as a mandatory grant (excluding interest and penalties) by complying with the criteria in accordance with the Skills Development Act 1998, Seta Grant Regulations regarding monies received and related matters (the Seta Grant Regulations).

### **Mandatory Grants**

Grants are equivalent to 50% of the total levies contributed by employers to the Seta during the corresponding financial period, if the employer meets the criteria in the Seta Grant Regulations.

### **Discretionary Grant and Project Expenditure**

A Seta may, out of surplus monies and in accordance with criteria as defined in the Seta Grant Regulations, allocate funds to employers and other associations or organisations. The criteria for allocating funds are approved by the Seta Board. Where necessary, it can be required of interested employers, associations or organisations to complete and submit a funding application for consideration and approval by the Seta.

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

Project expenditure comprises:

- costs that relate directly to the specific project

- costs that are attributable to project activity in general and can be allocated to the project
- 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.

Discretionary grant and project costs are recognised as expenses in the period in which they are incurred.

### 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.

### 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, as amended
- The SDA, as amended

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 the respective class of expense 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 charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The following rates are used for the depreciation of property, plant and equipment:

Computer equipment	3 years
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Computer software	2 years
Office furniture and fittings	10 years
Office equipment	5 years

The Seta has reviewed the residual values used for the purposes of depreciation calculations in light of the amended definition of residual value. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. Residual values will be reviewed annually in the future.

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 surplus.

### 7. LEASING

Finance leases consistent with the definition set out in 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.

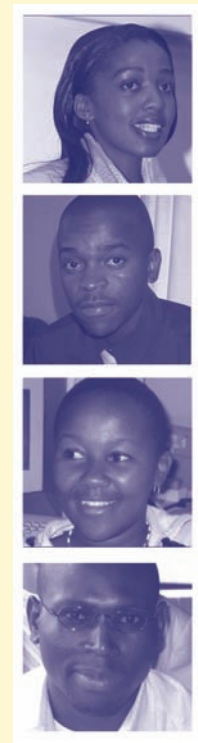
Payments made under operating leases (leases other than finance leases) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor 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 reporting 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.

## **9. GRANTS**

### **Mandatory Grant Payments**

A liability is recognised for mandatory grant payments once the specific criteria set out in the Seta Grant Regulations have been complied with by member companies and it is probable that the Seta will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. This measurement involves an estimate, based on the amount of levies received.

### **Discretionary Grant Payments**

A liability is recognised for discretionary grant payments once the specific criteria set out in the Seta Grant Regulations and any additional criteria, as approved by the Seta Board, have been complied with by member companies and it is probable that the Seta will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. This measurement involves an estimate, based on the amount of levies received.

### **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 commitments in the Notes to the Financial Statements.

## **10. 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 principle 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 surplus or deficit in the period in which they arise.

## 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 the net assets, is included in net surplus or deficit 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 surplus or deficit 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.

## 11. RESERVES

Net assets are classified based on the restrictions placed on the distribution of monies received in accordance with the Seta Grant Regulations as follows:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus

Employer levy payments are set aside in terms of the Act and the Seta Grant Regulations for the purposes indicated in the table below.

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to fund 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 employer grant reserves are moved to the discretionary fund reserve. Provision is made in the mandatory grant reserve for newly registered member companies, participating after the legislative cut-off date.

## 12. COMPARATIVE FIGURES

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

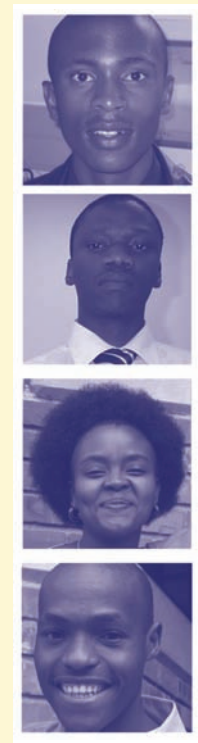
## 13. TAXATION

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).

## 14. VALUE ADDED TAXATION (VAT)

The Revenue Laws Amendment Act, 2003 (Act No 45 of 2003) commenced on 22 December 2003. Previously, the definition of enterprise listed in Schedule 3A within the scope of VAT. The Amendment Act, however, has amended this definition of enterprise and effectively places the public entity outside the scope of VAT, effective 1 April 2005.

The amount reflected as VAT due by SARS is in accordance with the dispensation prescribed by SARS. In accordance with this, the Seta deregistered for VAT with effect 1 April 2005.



	2005/06 (%)	2004/05 (%)
Administration costs of the Seta	10	10
Employer Grant Fund Levy	50	60
Mandatory Workplace Skills Grant	50	-
Mandatory Workplace Skills Planning Grant	-	15
Mandatory Workplace Skills Implementation Grant	-	45
Discretionary grants and projects	20	10
<b>Received by the Seta</b>	80	80
Contribution to the NSF	20	20
	100	100

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

	Statement of Financial Performance 2004/05 (R'000)	Statement of Financial Performance 2005/06 (R'000)	Administra- tion Reserve (R'000)	Employer Grant Reserve	Discretionary Reserve			
				Mandatory Skills Grant (R'000)	Discretionary Grants (R'000)	Special Projects (R'000)	Projects (R'000)	Total Discretionary (R'000)
<b>Total Revenue</b>	156 675	<b>166 049</b>	<b>15 621</b>	75 913	31 413	35 251	7 851	<b>74 515</b>
Skills Development Levy income from non-exchange transactions								
Admin levy income (10%)	14 891	<b>15 616</b>	15 616	-	-	-	-	-
Grant levy income (70%)	98 593	<b>107 326</b>	-	75 913	31 413	-	-	<b>31 413</b>
Skills Development Levy penalties and interest from non-exchange transactions	1 275	<b>706</b>	-	-	-	-	706	<b>706</b>
NSF income	35 329	<b>35 240</b>	-	-	-	35 240	-	<b>35 240</b>
Donations for special projects	-	<b>11</b>	-	-	-	11	-	<b>11</b>
Investment income	6 587	<b>7 145</b>	-	-	-	-	7 145	<b>7 145</b>
Other income	-	<b>5</b>	5	-	-	-	-	-
<b>Total Expenses</b>	145 297	<b>169 940</b>	12 858	56 750	6 928	35 251	58 153	<b>100 332</b>
Administration expenses	10 183	<b>12 858</b>	12 858	-	-	-	-	-
Donations for special projects	-	<b>11</b>	-	-	-	11	-	<b>11</b>
NSF expenses	35 329	<b>35 240</b>	-	-	-	35 240	-	<b>35 240</b>
Employer grants and project expenses	99 785	<b>121 831</b>	-	56 750	6 928	-	58 153	<b>65 081</b>
Net surplus/deficit per Statement of Financial Performance allocated	<b>11 378</b>	<b>(3 891)</b>	<b>2 763</b>	<b>19 163</b>	<b>24 485</b>	-	<b>(50 302)</b>	<b>(25 817)</b>

for the year ended 31 March 2006

## 2. SKILLS DEVELOPMENT LEVY INCOME FROM NON-EXCHANGE REVENUE

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

	2005/06 (R'000)	2004/05 (R'000)
Levy income: Administration	15 616	14 891
Levies received	15 328	14 925
Levies received from SARS	14 804	11 922
Government levies received	338	2 560
Inter-Seta transfers in	241	732
Inter-Seta transfers out	(55)	(289)
Levies accrued	288	(34)
Levy income: Employer grants	75 913	84 500
Levies received	77 067	84 699
Levies received from SARS	75 956	81 816
Inter-Seta transfers in	1 389	5 001
Inter-Seta transfers out	(278)	(2 118)
Levies accrued	(1 154)	(199)
Levy income: Discretionary grants	31 413	14 093
Levies received	28 246	14 127
Levies received from SARS	28 093	13 650
Inter-Seta transfers in	262	832
Inter-Seta transfers out	(109)	(355)
Levies accrued	3 167	(34)
	<u>122 942</u>	<u>113 484</u>

## 3. INVESTMENT INCOME

	2005/06 (R'000)	2004/05 (R'000)
Interest income	7 145	6 587
Accruals on bank deposits	86	-
Bank deposits	7 059	6 587
	<u>7 145</u>	<u>6 587</u>

## 4. OTHER INCOME

	2005/06 (R'000)	2004/05 (R'000)
Other income comprises:		
Profit on disposal of property, plant and equipment	5	-
	<u>5</u>	<u>-</u>

## 5. EMPLOYER GRANT AND PROJECT EXPENSES

	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Mandatory grants	56 750	53 971
Disbursed	60 580	43 360
Movement in provisions and accruals	(3 830)	10 611
Discretionary grants	6 928	5 470
Disbursed	2 823	4 105
Movement in provisions and accruals	4 105	1 365
Project expenditure	58 153	40 344
Disbursed	45 639	38 120
Movement in provisions and accruals	12 514	2 224
	<u>121 831</u>	<u>99 785</u>

## 6. ADMINISTRATION EXPENSES

	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Depreciation	244	165
Operating lease rentals (minimum lease payments)	711	350
Buildings	702	333
Plant, machinery and equipment	9	17
Maintenance, repairs and running costs	122	27
Advertising, marketing and promotions, communication	641	797
Entertainment expenses	12	11
Consultancy and service provider fees	4 215	3 377
Legal fees	60	20
Cost of employment	4 210	3 661
Travel and subsistence	177	105
Staff training and development	169	194
Remuneration to members of the audit committee	162	131
External auditor's remuneration	206	104
Bad debts written off	41	23
Allowance for doubtful debts	88	(79)
Other	1 800	1 297
Other administration expenses	1 004	691
Internal audit fees	379	229
Insurance	280	253
Telephone	137	124
	<u>12 858</u>	<u>10 183</u>

When comparing the administration expenditure for the current and prior year it should be noted that the 2005/06 administration expenditure includes VAT, whilst 2004/05 does not, due to the Seta's deregistration for VAT with effect 1 April 2005.

## 6.1. Cost of Employment

	2005/06 (R'000)	2004/05 (R'000)
Salaries and wages	4 191	3 645
Basic salaries	3 767	3 291
Performance awards	377	292
Temporary staff	36	57
Leave payments	11	5
Social contributions		
UIF	19	16
	<u>4 210</u>	<u>3 661</u>
Average number of employees	18	16

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

## 7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2006			
	Cost (R'000)	Accumulated Depreciation/ Impairment (R'000)	Closing Carrying Amount (R'000)
Computer equipment	435	(320)	115
Computer software	47	(42)	5
Office furniture and fittings	439	(106)	333
Office equipment	688	(267)	421
Balance at end of period	<u>1 609</u>	<u>(735)</u>	<u>874</u>
Made up as follows:			
Owned assets	1 609	(735)	874

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 period	<u>1 347</u>	<u>(596)</u>	<u>751</u>
Made up as follows:			
Owned assets	1 347	(596)	751

## Movement Summary 2006

Year ended 31 March 2006			
Carrying Amount 2005 (R'000)	Additions (R'000)	Depreciation/Amortisation Charge (R'000)	Carrying Amount 2006 (R'000)
Computer equipment	198	7	115
Computer software	10	(5)	5
Office furniture and fittings	177	(32)	333
Office equipment	366	(117)	421
Balance at end of period	751	(244)	874

## Movement Summary 2005

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

## 8. ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

		2005/06 (R'000)	2004/05 (R'000)
Skills Development Levy debtors		23 026	20 725
Admin levy debtors		2 878	2 590
Employer grant levy debtors		14 391	15 545
Discretionary grant debtors		5 757	2 590
Inter-Seta debtors	21	1 505	7
SARS receivable	8.1	1 400	-
Employer receivables	8.2	893	2 278
Allowance for doubtful debts	8.2	(164)	(76)
		26 660	22 934

### 8.1 SARS Receivable

		2005/06 (R'000)	2004/05 (R'000)
Included in Skills Development Levy debtors is:			
SARS receivable/(payable)			
Opening carrying amount		-	-
Adjustments included in levies received		2 319	3 395
Changes in estimate		(919)	(3 395)
Closing carrying amount		1 400	-

During the year under review, SARS advised the Seta of erroneously designated Skills Development Levies received in prior periods, resulting in a retrospective adjustment of R919 000 (2005: R3 395 000). An amount of R1 443 000 (2005: Nil) relates to levies incorrectly contributed by employers, and paid over by SARS and DoL, after being exempted from contributing Skills Development Levies due to new legislation which came into effect from 1 August 2005. It is estimated that additional levies of R1 588 000 (2005: Nil), relating to potential future levy corrections, will be received.

## 8.2 Employer Receivables

	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Overpayment to employers	893	2 278
Allowance for doubtful debt	(164)	(76)
Effect of SARS retrospective adjustments on affected employers	<u>729</u>	<u>2 202</u>

R893 000 (2005: R2 278 000) was recognised as a receivable relating to overpayments to employers in earlier periods, and is based on the amount of such grant overpayments. An amount of R164 000 (2005: R76 000) was provided for as doubtful debt.

## 9. ACCOUNTS RECEIVABLE - OTHER

	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Deposits	115	2
Interest receivable	86	-
Prepaid expenses	169	286
Other receivables	241	-
SAICA	<u>241</u>	<u>-</u>
	<u>611</u>	<u>288</u>

## 10. CASH AND CASH EQUIVALENTS

	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Cash at bank and in hand	9 003	5 769
Cash at bank	<u>9 001</u>	<u>5 768</u>
Cash in hand	<u>2</u>	<u>1</u>
Short-term investments/instruments	105 499	103 744
Cash and cash equivalents at end of year	<u>114 502</u>	<u>109 513</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 6,4% (2005: 7,3%).

The Skills Development Act Regulations state that a Seta may, if not otherwise specified by the Public Finance Management Act, 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.

## 11. ACCOUNTS PAYABLE

		<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Skills development grants payable - mandatory		33 999	39 666
Skills development grants payable - discretionary		8 617	4 578
Project creditors		14 738	2 224
Inter-Seta payables	21	615	1 274
Employer payables		686	224
Service provider fees outstanding		988	1 828
Sundry payables		8 562	6 169
Trade payables		690	84
Other accrued		7 872	6 085
		<u>68 205</u>	<u>55 963</u>

## 12. NATIONAL SKILLS FUND: SPECIAL PROJECTS

		<b>2006/05 (R'000)</b>	<b>2004/05 (R'000)</b>
Opening balance		1 433	7 704
Received during the year		36 044	28 970
EUPEC		13 653	(478)
KZN/Limpopo		22 391	29 448
Interest received		53	88
Utilised and recognised as revenue - conditions met		(35 240)	(35 329)
EUPEC		(12 176)	(10 900)
KZN/Limpopo		(23 064)	(24 429)
Closing balance		<u>2 290</u>	<u>1 433</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 R36 044 000 (2005: R28 970 000) were received from the National Skills Fund for the purposes of the Thuthuka Education Upliftment fund for EUPEC, KZN and Limpopo. This amount was recognised as a liability until the conditions attached were met. During the year, R35 240 000 (2005: R35 329 000) eligible project special expenses were incurred and a corresponding amount was recognised as revenue. At year end, R2 290 000 (2005: R1 433 000) continues to be accounted for as a liability until the remaining conditions attached have been met.

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

		<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Opening balance		17	17
Utilised and recognised as income - conditions met			
Learnership development tools		(11)	-
Closing balance - current		<u>6</u>	<u>17</u>

Conditional grant funds of R Nil (2005: R Nil) were received.

R6 000 (2005: 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.

## 14. PROVISIONS

	<b>Employee Leave Provision</b>	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Opening carrying amount	211	211	148
Amounts utilised	(11)	(11)	(5)
Change in estimate	(3)	(3)	68
Closing carrying amount	197	197	211
Current	197	197	211

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

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

	<b>2005/06 (R'000)</b>	<b>2004/05 (R'000)</b>
Net (deficit)/surplus as per Statement of Financial Performance	(3 891)	11 378
Adjusted for non-cash items:		
Depreciation	244	165
Profit on disposal of property, plant and equipment	(5)	-
Bad debts written off	41	23
Allowance for doubtful debts	88	(79)
Decrease in provisions - relating to employment	(14)	63
Special project income recognised	(35 251)	(35 329)
Adjusted for items separately disclosed		
Investment income	(7 145)	(6 587)
Adjusted for working capital changes:		
(Decrease)/increase in receivables from non-exchange transaction	(3 855)	1 569
Decrease in receivables - other	(237)	(258)
Increase in payables	12 242	16 924
Movement in VAT receivable	(22)	(442)
<i>Cash utilised in operations</i>	<u>(37 805)</u>	<u>(12 573)</u>

## 16. 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. Annually, the Seta submits a request for the accumulation of surplus funds to National Treasury. At the time of compiling the Annual Financial Statements, no reply had been received from National Treasury regarding this request.

## 17. COMMITMENTS

### 17.1 Discretionary Reserve

Of the balance of R72 308 000 (2005: R76 288 000) available in the Discretionary Reserve at the end of March 2006, R70 719 000 (2005: R76 288 000 including VAT of R 9 368 000) has been approved and allocated for future projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the Statement of Financial Performance, are also indicated. A request for the accumulation of these funds has been submitted to National Treasury. At the time of compiling the Annual Financial Statements, no reply had been received.

	Opening Balance 2004/05 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Opening Balance 2005/06 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Total (R'000)
IPFA Public Finance Learnerships*	1 538	(129)	(693)	716	100	(816)	-
<b>Sub-Total Year 1 Project Fund</b>	<b>1 538</b>	<b>(129)</b>	<b>(693)</b>	<b>716</b>	<b>(100)</b>	<b>(816)</b>	<b>-</b>
Learnership - Management Consulting*	1 272	(1 159)	(113)	-	-	-	-
Learnership - Entry Level	-	467	(98)	369	52	(376)	<b>45</b>
Learnership Grant*	3 378	(135)	(3 243)	-	-	-	-
Project Management*	6	-	(6)	-	-	-	-
Thuthuka CTA/QE Project 2003*	737	(317)	(420)	-	-	-	-
<b>Sub-Total Year 2 Project Fund</b>	<b>5 393</b>	<b>(1 144)</b>	<b>(3 880)</b>	<b>369</b>	<b>52</b>	<b>(376)</b>	<b>45</b>
Learnership Gap Analysis*	126	-	-	126	(126)	-	-
Assessor Capacity Building*	153	(4)	(149)	-	-	-	-
SMME Intervention*	551	(451)	(100)	-	-	-	-
SDF Capacity Building	260	-	(52)	208	30	(80)	<b>158</b>
Research	201	-	(1)	200	27	(53)	<b>174</b>
Marketing*	234	-	(234)	-	-	-	-
IIP	308	-	(12)	296	41	(73)	<b>264</b>
Transformation Strategy	455	-	(303)	152	20	-	<b>172</b>
The ORT Careers Course*	242	(3)	(239)	-	-	-	-
Thuthuka English EUPEC Project*	1 285	(216)	(1 069)	-	-	-	-
Guarantee Trust Holdings Phase 2*	13	(1)	(12)	-	-	-	-
Thuthuka CTA/QE 2004-2005	6 310	(70)	(5 932)	308	(297)	97	<b>108</b>
Progression Options CC*	94	(49)	(45)	-	-	-	-
St Mary's Outreach 2003-2005*	433	(26)	(407)	-	-	-	-
Moore's Rowland - UAAP*	102	(2)	(100)	-	-	-	-
Scimathus*	347	-	(347)	-	-	-	-
AG Kentron 2004-2005*	619	-	(619)	-	-	-	-
Centralised Marketing Function*	260	31	(265)	26	117	(143)	-
Guarantee Trust Holdings Phase 3*	1 324	-	(1 324)	-	-	-	-
ORT SA Phase 2*	2 725	1	(1 371)	1 355	185	(1 540)	-
<b>Sub-Total Year 3 Project Fund</b>	<b>16 042</b>	<b>(790)</b>	<b>(12 581)</b>	<b>2 671</b>	<b>(3)</b>	<b>(1 792)</b>	<b>876</b>
ABET Training	-	1 316	-	1 316	(18)	(415)	<b>883</b>
HIV / AIDS*	-	439	(241)	198	(174)	(24)	-
SMME Intervention*	-	1 766	(1 761)	5	(4)	(1)	-
SDF Capacity Building	-	658	(75)	583	82	(547)	<b>118</b>
CPEs*	1 109	-	(1 109)	-	-	-	-
CPELs*	3 419	-	(2 685)	734	96	(830)	-

	Opening Balance 2004/05 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Opening Balance 2005/06 (R'000)	Approved by Accounting Authority (R'000)	Utilised (R'000)	Total (R'000)
Learnership Implementation Tools	1 949	4	(1 109)	844	118	(64)	<b>898</b>
Debt Collection Learnership	-	2 193	(6)	2 187	307	(493)	<b>2 001</b>
Strategic Marketing*	890	-	(876)	14	2	(16)	-
Project Management*	-	1 491	(1 480)	11	(11)	-	-
Thuthuka Workplace Readiness Programme University of Fort Hare*	-	350	(329)	21	(21)	-	-
The Tirisano Learnership Project - CIMA, JP Morgan & Deutsche Bank*	-	682	(284)	398	22	(420)	-
The BDO Spencer Stewart Work Readiness Programme	-	1 328	(200)	1 128	(925)	(197)	<b>6</b>
Thuthuka RAU Undergraduate Programme	-	1 755	(1 755)	-	-	133	<b>133</b>
<b>Sub-Total Year 4 Project Fund</b>	<b>7 367</b>	<b>11 982</b>	<b>(11 910)</b>	<b>7 439</b>	<b>(526)</b>	<b>(2 874)</b>	<b>4 039</b>
Strategic Cash Grant*	-	3 509	-	3 509	(3 509)	-	-
Learnership Grant*	-	9 649	(2 956)	6 693	(5 168)	(1 525)	-
ORT Siyaphambili*	-	2 206	(55)	2 151	(974)	(1 177)	-
CPE	-	5 702	(68)	5 634	789	(4 149)	<b>2 274</b>
Scimathus Phase 2*	-	488	(74)	414	9	(423)	-
Thuthuka CTA/QE Work Readiness Programme	-	3 423	(432)	2 991	322	(1 081)	<b>2 232</b>
Project Management (Y5)*	-	1 373	-	1 373	186	(1 559)	-
SMME Intervention - Fasset Skills Advisors (05-06)	-	3 070	(33)	3 037	426	(2 583)	<b>880</b>
Strategic Marketing	-	1 316	-	1 316	184	(1 159)	<b>341</b>
SH&A - NQF 5 WRP	-	3 852	-	3 852	539	(4 343)	<b>48</b>
PAAB - NQF 6 WRP*	-	446	-	446	63	(509)	-
The Skills Framework - NQF 5 WRP	-	3 321	-	3 321	465	(3 242)	<b>544</b>
Thuthuka NQF 5 Leadership WRP*	-	1 589	-	1 589	(83)	(1 506)	-
Thuthuka - Jhb University CTA 2006	-	2 151	-	2 151	301	-	<b>2 452</b>
CIMA - Tirisano Learnership Phase 2	-	1 093	-	1 093	187	(122)	<b>1 158</b>
Learnership Grant per PDI	-	9 481	-	9 481	34 983	(15 855)	<b>28 609</b>
Centralised Marketing - Year 5	-	200	-	200	486	(158)	<b>528</b>
Guarantee Trust Holdings Phase 4*	-	9 180	(2 706)	6 474	907	(7 381)	-
<b>Sub-Total Year 5 Project Fund</b>	<b>-</b>	<b>62 049</b>	<b>(6 324)</b>	<b>55 725</b>	<b>30 113</b>	<b>(46 772)</b>	<b>39 066</b>
Bonani NQF 5 WRP	-	-	-	-	13 692	(3 491)	10 201
Thusanani NQF 6 WRP	-	-	-	-	5 957	(1 135)	4 822
Centralised Marketing (Y6): Social Development Projects	-	-	-	-	170	-	170
Scimathus Phase 3	-	-	-	-	727	(237)	490
Thuthuka UFH Post Graduate 06-07	-	-	-	-	4 409	-	4 409
Thuthuka Small Practices CTA WRP	-	-	-	-	6 148	-	6 148
Thuthuka WRP 2006	-	-	-	-	1 113	(660)	453
<b>Sub-Total Year 6 Project Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32 216</b>	<b>(5 523)</b>	<b>26 693</b>
<b>Total Project Expenditure</b>	<b>30 340</b>	<b>71 968</b>	<b>(35 388)</b>	<b>66 920</b>	<b>61 952</b>	<b>(58 153)</b>	<b>70 719</b>

\*Closed projects

## 17.2 Operating Leases

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

	2005/06 (R'000)	2004/05 (R'000)
Not later than one year	591	156
Later than one year and not later than five years	2 494	-
	3 085	156

The operating lease relates to building premises used for office accommodation. The lease agreement was renewed on 1 September 2005 and will be operational for a period of four years and seven months, expiring on 31 March 2010. No provision was made for an option to renew the lease on expiry. A deposit of R113 032 was paid on inception of the lease which is refunded upon termination of the lease. The deposit amount will be reduced by any outstanding costs and will accrue interest at 2% per annum. The rental escalates annually on 1 September by 10%.

## 18. 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 2006.

### Material Losses through Criminal Conduct

None.

### Irregular Expenditure

None.

### Fruitless and Wasteful Expenditure

None.

## 19. EVENTS AFTER REPORTING DATE

None.

## 20. FINANCIAL INSTRUMENTS

In the course of the Seta's operations it is exposed to interest rate, credit, liquidity and market risk. The Seta has developed a comprehensive risk strategy in terms of TR 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 cash flow interest rate risk and the effective interest rates on financial instruments at reporting date 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 2006</b>				
<b>Assets</b>				
Cash	114 502	6,4%		114 502
Accounts receivable from non-exchange transactions	-	-	26 660	26 660
Accounts receivable - other	-	-	1 059	1 059
<i>Total financial assets</i>	114 502	-	27 719	142 221
<b>Liabilities</b>				
Accounts payable	-	-	(70 501)	(70 501)
<i>Total financial liabilities</i>	-	-	(70 501)	(70 501)
<b>Year ended 31 March 2005</b>				
<i>Total financial assets</i>	109 513	7,3%	23 648	133 161
<i>Total financial liabilities</i>	-	-	(57 413)	(57 413)
	109 513	-	(33 765)	75 748

### **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.

## 21. 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:

		2005/06 (R'000)		2004/05 (R'000)	
		Amount of the Transaction	Amount Receivable/ (Payable)	Amount of the Transaction	Amount Receivable/ (Payable)
<b>Receivables</b>	8	1 892	1 505	6 567	7
BANKSETA		1	1	216	-
CETA		-	-	2	8
CHIETA		1	1	-	-
ETDP SETA		-	-	-	-
FIETA		-	-	5	-
HWSETA		-	-	10	-
ISETT		2	2	-	-
INSETA		-	-	4	-
MAPPP		-	-	25	-
MQA		-	-	3 914	-
PSETA		3	3	-	-
SASSETA		88	88	-	-
SETASA		-	-	2	-
SERVICES		1 560	1 410	2 303	-
TETA		-	-	3	-
POSLEC		-	-	-	(1)
W&R SETA		237	-	83	-
<b>Payables</b>	11	(442)	(615)	(4 319)	(1 274)
AGRISETA		152	152	-	-
BANKSETA		(64)	13	119	169
CHIETA		(2)	-	-	2
CETA		(25)	1	59	82
ETDP SETA		(45)	-	75	46
ESETA		(11)	-	-	11
FOODBEV		(16)	-	31	19
FIETA		(7)	-	-	7
HWSETA		(41)	4	61	45
ISETT		13	44	68	31
INSETA		376	13	2 002	187
LGWSETA		2	3	-	1
MAPPP		(27)	-	-	27
MQA		(15)	-	30	15
MERSETA		(60)	21	602	80
POSLEC SETA		(85)	-	523	85
PAETA		(11)	-	45	33
SASSETA		163	24	-	-
SETASA		(10)	-	45	10
SERVICES		(46)	18	488	259
THETA		7	27	-	20
TETA		(2)	29	64	31
W&R SETA		208	266	135	102
Other		(12)	-	(28)	12
<b>Total</b>		1 450	890	2 248	(1 267)

## 21.2 TRANSACTIONS WITH OTHER RELATED PARTIES

The Seta has, in the normal course of its operations, entered into certain transactions with entities either related to the Department of Labour (DoL) or which had a nominated representative serving on the Seta's Management Board.

Related Party	Nature of Relationship	Transaction Type	2005/06 (R'000)		2004/05 (R'000)	
			Amount of the Transaction	Amount Receivable/ (Payable)	Amount of the Transaction	Amount Receivable/ (Payable)
<b>Receivables</b>						
NSF EUPEC and KZN/Limpopo	Related to DoL	NSF income	35 240	-	35 329	-
<b>Payables</b>						
NSF EUPEC and KZN/Limpopo	Related to DoL	NSF expense	35 240	(2 290)	35 329	(1 433)
Anglo Operations Ltd	Maryanne Trollope (Chairman)	Discretionary grants	1 935	(1 439)	484	-
Association of Chartered Certified Accountants (ACCA)	Nirri Nair (Board Member)	Discretionary grants	3	-	-	-
Chartered Institute of Management Accountants (CIMA)	Samantha Louis (Board Member)	Discretionary grants	542	-	464	(71)
Deloitte	Dorothy Ndletyana (Board Member)	Discretionary grants & other payments	7 548	(2 277)	3 378	(1 828)
Independent Development Corporation	Shubash Laloo/MaRi Hershey (Board Member)	Discretionary grants	545	(545)	-	-
Institute for Public Finance & Auditing (IPFA)	Zahra Cassim (Board Member)	Discretionary grants	950	(98)	732	(117)
Johannesburg Securities Exchange Limited	Mpuseng Tlhabane (Board Member)	Discretionary grants	-	-	76	-
KPMG	Richard Warren (Board Member)	Discretionary grants	1 873	(1 102)	117	-
PricewaterhouseCoopers	Robert Capper (Board Member)	Discretionary grants & other payments	2 265	(833)	1 967	(224)
Robin Dixie and Associates	Robin Dixie (Board Member)	Discretionary grants	25	(25)	-	-
South African Institute of Chartered Accountants (SAICA)	Mandi Oliver (Board Member)	Discretionary grants	111	-	31	-

The above transaction occurred under terms that were no more favourable than those available in similar arm's length dealings. Discretionary grants comprise the Strategic Cash Grant, Learnership Cash Grant and project funding disbursed in accordance with the priorities as defined in the Sector Skills Plan. The amounts disclosed do not include Mandatory grants. The amounts outstanding are unsecured and will be settled in relation to the NSF by incurring qualifying expenditure or in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debt in respect of the amounts owed by related parties.

## A. NSDS II TARGETS AND ACHIEVEMENTS

### NOTES

1. Targets are based on the definitions provided by DoL during the period.
2. This being the first year of NSDS II, some targets were not yet applicable to Fasset in the year under review as we were awaiting DoL interpretations and definitions.

### NSDS Objective 1: Prioritising and communicating critical skills for growth, sustainable development and equity

	NSDS Indicator	Fasset 2005 - 2006 Target	Achievement
1.1	Skills development supports national and sectoral growth, development and equity priorities	SSP submitted by deadline date	SSP submitted by deadline date
1.2	Information on critical skills widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners	2 500 SDFs to be trained	3 627 SDFs trained

### NSDS Objective 2: Promoting and accelerating quality training for all in the workplace

	NSDS Indicator	Fasset 2005 - 2006 Target	Achievement
2.1	80% of large firms' and 60% of medium firms' EE targets supported by skills development. Impact on overall equity profile of firms and sectors measured	32 large firms submit a WSP 65 medium firms submit a WSP	43 large firms submitted WSPs 70 medium firms submitted WSPs
2.2	Skills development in at least 40% of small levy-paying firms supported and the impact of the support measured	2 000 small levy-paying firms to be supported	3 881 small levy-paying firms supported
2.3	Government departments' achievement of EE targets and measurable service delivery improvements supported by skills development	N/A	N/A
2.4	Number of enterprises achieving the IIP standard	N/A	N/A
2.5	Number of small BEE firms and BEE co-operatives supported by skills development. Impact of support measured	N/A	N/A
2.6	Number of workers who benefit from training for placement in new investment initiatives	N/A	N/A
2.7	70% of workers have achieved ABET level 4	20	ABET achieved: Level 0: 21 Level 1: 42 Level 2: 36 Level 3: 7 Level 4: 5
2.8	Number of current workers participating and successfully completing learnerships and apprenticeships. Impact of assistance measured	1 116 workers entered learnerships 0 workers completed learnerships	640 workers entered learnerships 0 workers completed learnerships

### NSDS Objective 3: Promoting employability and sustainable livelihoods through skills development

	NSDS Indicator	Fasset 2005 - 2006 Target	Achievement
3.1	Number of unemployed people trained, of whom at least 25% receive accredited training. Of those trained, at least 70% placed. Placement categories agreed (to include Expanded Public Works Programme (EPWP)), measured and sustainability assessed	N/A	N/A
3.2	National target of 2000 (made up of sector and provincial targets) of non-levy-paying enterprises, Non-Governmental Organisations (NGOs), Community-based Organisations (CBOs), and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate	50 non-levy-paying enterprises, NGOs and CBOs to be supported	96 non-levy-paying enterprises, NGOs and CBOs were supported
3.3	100 000 unemployed people have participated in ABET level programmes of which at least 70% have achieved ABET level 4	N/A	N/A

### NSDS Objective 4: Assisting designated groups, including new entrants, to participate in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment

	NSDS Indicator	Fasset 2005 - 2006 Target	Achievement
4.1	Number of unemployed people participating in learnerships and apprenticeships, successfully completing these programmes and impact of assistance measured	2 284 people entered learnerships 0 people completed learnerships	3 773 people entered learnerships 0 people completed learnerships
4.2	Number of young learners in sector relevant programmes from Further Education and Training (FET) and Higher Education and Training (HET) institutions assisted to gain work experience, of whom at least 70% successfully find placement	800 LCGs awarded	473 LCGs awarded
4.3	Number of young people assisted to form new ventures and number of new ventures in operation at least six months after completion of programme	N/A	N/A

## NSDS Objective 5: Improving the quality and relevance of provision

	NSDS Indicator	Fasset 2005 - 2006 Target	Achievement
5.1	Each Seta recognises and supports at least five ISOEs, spread as widely as possible geographically, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training	5 ISOEs to be supported	53 ISOEs supported
5.2	Each province has at least two provider institutions accredited to manage the delivery of the New Venture Creation Learnerships. The proportion of new ventures still operating after six months will be used as a measure of centres' success	N/A	N/A
5.3	Measurable improvements in quality assurance of ETQAs, providers, qualifications, and standards responsive to the NSDS	N/A	N/A
5.4	There is an NSA constituency based assessment of an improvement in stakeholder capacity and commitment to the NSDS	N/A	N/A

### COMMENTS ON THE NSDS TARGETS

#### Number of workers that have entered learning programmes

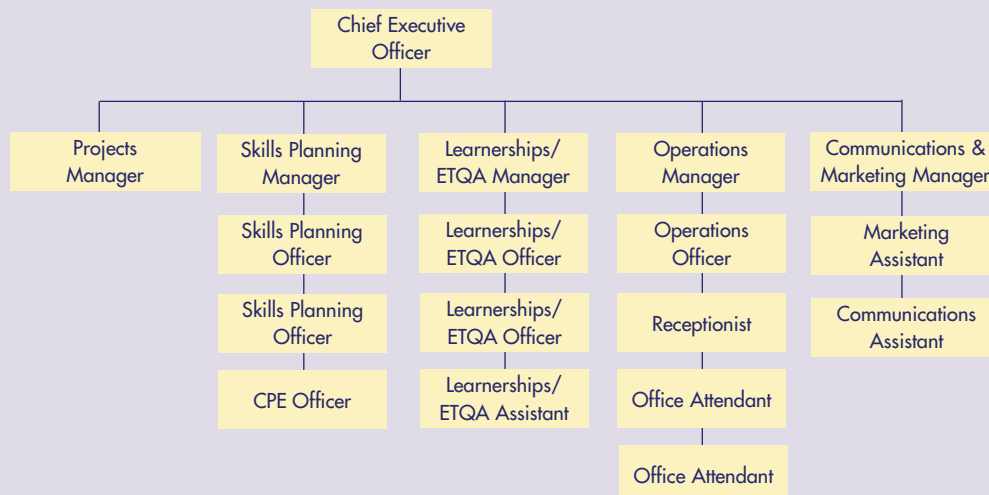
Learner targets for the intake and recruitment of learners were based on an analysis of trends over the past 5 years. In the past, the accounting sector typically appointed a learner for a probation period of 3-6 months before signing a learnership agreement. The impact of learnership regulations and introduction of the tax deduction have resulted in employers no longer pursuing this trend. Learners now sign a learnership agreement when they are appointed - a more constructive and committed approach to training. Fasset exceeded its overall target for learners entering learnerships (see table below) – this, despite a decrease in the number of previously employed learners (18.1) as this was offset by an increase in the number of previously unemployed learners (18.2).

NSDS Indicator	Fasset Target 2005 - 2006		Total Target	Actual Achieved		Total Achieved
	2.8	4.1		2.8	4.1	
Number of workers that have entered learning programmes	1 116	2 284	3 400	640	3 773	4 413

#### Number of workers that have completed learning programmes

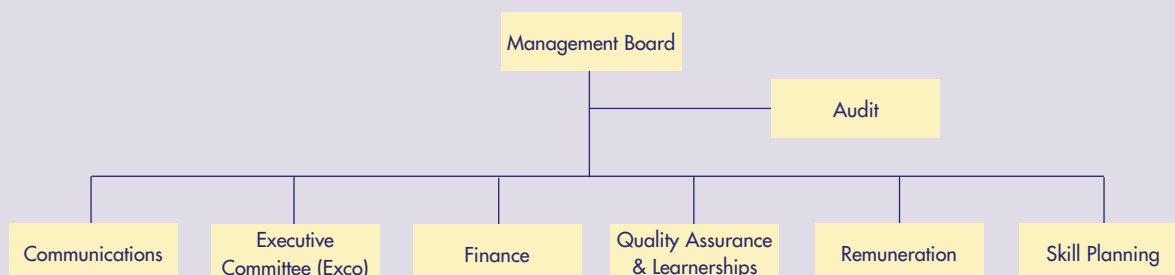
In the Fasset sector, the training period for Accounting-related learnerships ranges from a minimum of 3 years, up to a maximum of 5 years. Based on this time period, Fasset will only be able to record learnership completion figures for learners registered during NSDS II from 1 April 2008 (Year 9).

## B. ORGANISATION STRUCTURE



Name	Constituency	Organisation	Race	Gender	Meetings Attended	27 May 2005	14 September 2005	24 November 2005	10 March 2006	Participation in Working Committees
Robert Capper	Large Accounting Firms	Pricewaterhouse-Coopers	White	Male	3 of 4	-	✓	✓	✓	Exco; Finance; Remuneration; Skills Planning
Robin Dixie	SMMEs	Robin Dixie and Associates	White	Male	4 of 4	✓	✓	✓	✓	Quality Assurance & Learnerships
Shubash Laloo replaced by MaRi Hershey (11/2005)	Development Corporations	IDC	Coloured	Male	1 of 2	✓	-	N/A	N/A	
			White	Female	1 of 2	N/A	N/A	✓	-	
Dorothy Ndletyana	Tax Services	Deloitte	Black	Female	2 of 4	✓	-	-	✓	
Thandi Sibanyoni	The State	National Treasury	Black	Female	1 of 4	✓	-	-	-	
Mpuseng Tlhabane	Securities and Stock Brokers	JSE Limited	Black	Female	4 of 4	✓	✓	✓	✓	(Vice-Chairman) Exco; Remuneration
Maryanne Trollope	Investment Entities and Trusts	Anglo Operations Ltd	White	Female	4 of 4	✓	✓	✓	✓	(Chairman) Communications; Exco
Richard Warren	Management Consulting	KPMG	White	Male	3 of 4	-	✓	✓	✓	
Hannetjie Botma	Trade Unions	PSA	White	Female	3 of 4	✓	✓	✓	-	
Zahra Cassim	Professional Bodies	IPFA	Indian	Female	2 of 4	✓	-	-	✓	Communications; Quality Assurance & Learnerships
Cheryl James	N/A	Fasset CEO	White	Female	4 of 4	✓	✓	✓	✓	Exco; Finance
Pieter Lombard	Trade Unions	PSA	White	Male	3 of 4	✓	-	✓	✓	
Samantha Louis	Professional Bodies	CIMA	White	Female	2 of 4	-	✓	✓	-	Exco; Quality Assurance & Learnerships
Witness Magoswana	Trade Unions	NEHAWU	Black	Male	3 of 4	✓	✓	✓	-	Audit; Exco; Remuneration
Nirri Nair	Professional Bodies	ACCA	Indian	Female	3 of 4	✓	-	✓	✓	Communications; Quality Assurance & Learnerships
Mandi Olivier	Professional Bodies	SAICA	White	Female	4 of 4	✓	✓	✓	✓	Audit; Exco
Simphiwe Selepe	Trade Unions	NEHAWU	Black	Male	2 of 4	✓	-	✓	-	

## D. WORKING COMMITTEES



### Audit Committee

Member	Marianne Brown	Judy Grobler	Emmie Heyn*	Kobie Kleynhans	Sakhi Simelane	Witness Magoswana	Mandi Oliver
Position	Independent Chairman	Independent Member			Management Board Member		
Meetings Attended and Remunerated During Financial Year	6	4	2	4	6	6	5
<b>Formal Meetings</b>	3	2	1	2	3	4	3
18 May 2005	–	–	✓	–	✓	✓	✓
20 July 2005	✓	–	N/A	✓	✓	✓	–
16 November 2005	✓	✓	N/A	✓	✓	✓	✓
24 February 2006	✓	✓	N/A	–	–	✓	✓
<b>Ad-hoc Meetings</b>	2	2	1	2	3	2	2
16 May 2005	–	✓	✓	–	✓	✓	–
23 September 2005	✓	✓	N/A	✓	✓	✓	✓
14 December 2005	✓	–	N/A	✓	✓	–	✓
<b>Additional Meetings</b>	1						
24 November 2005 (Exco - by invitation)	✓						
<b>Meeting Remuneration</b>	R26 231	R21 222	R7 593	R17 259	R24 852	R23 630	R22 259
<b>Travel Expenses</b>	R980	-	-	R416	R250	R1 643	R1 430
<b>Total Remuneration for the Financial Year Ending 31 March 2006</b>	<b>R27 211</b>	<b>R21 222</b>	<b>R7 593</b>	<b>R17 675</b>	<b>R25 102</b>	<b>R25 273</b>	<b>R23 689</b>

\* Resigned 5/2005

### Remuneration Rate

Formal meetings: R5 000 per meeting including VAT

Ad hoc meetings: R1 037 per hour (rate reviewed annually based on Auditor-General rate for audit partners)

### Communications Committee

Member	Organisation	Meetings Attended
Zahra Cassim*	IPFA	3 of 4
Elsabè Conradie	CFA	4 of 4
Carl Komape°	ABASA	3 of 3
Nirri Nair	ACCA	2 of 4
Jenny O'Connor	Anglo Operations Ltd	2 of 4
Lucille Pickersgill	PAAB	1 of 4
Maryanne Trollope (Chairman)	Anglo Operations Ltd	4 of 4

\* Zahra did not attend any meetings but there were IPFA representatives at 3 meetings

° Joined 8/2005

### Executive Committee (Exco)

Member	Organisation	Meetings Attended
Robert Capper	PricewaterhouseCoopers	5 of 6
Cheryl James*	Fasset	6 of 6
Samantha Louis	CIMA	4 of 6
Witness Magoswana	NEHAWU	4 of 6
Mandi Olivier°	SAICA	3 of 5
Mpuseng Tlhabane	JSE Limited	5 of 6
Maryanne Trollope (Chairman)	Anglo Operations Ltd	5 of 6

\* Fasset CEO

° Joined 5/2005

### Finance Committee

Member	Organisation	Meetings Attended
Robert Capper <sup>o</sup> (Chairman)	PricewaterhouseCoopers	7 of 9
Mike Nel <sup>1</sup>	CFA	5 of 10
Shirley Olsen <sup>2</sup>	Master Business Services CC	3 of 4
Ettiene Retief <sup>3</sup> (Chairman)	Financial Tax & Remuneration Services	2 of 2
Bill Shellard	IIA	10 of 11
Susan Vasconcelos	Nexus Management Consultants	10 of 11

<sup>o</sup> Joined 6/2005

<sup>3</sup> Resigned 7/2005 (remained on the

<sup>1</sup> Resigned 2/2005

committee and as Chairman until Annual

<sup>2</sup> Joined 8/2005 and resigned 11/2005

Financial Statements 2004/05 were approved)

### Remuneration Committee

Member	Organisation	Meetings Attended
Robert Capper	PricewaterhouseCoopers	2 of 2
Witness Magoswana	NEHAWU	1 of 2
Mpuseng Tlhabane (Chairman)	JSE Limited	2 of 2

### Quality Assurance & Learnerships Committee

Member	Organisation	Meetings Attended
John Blignaut	Definitive Solutions	2 of 4
Andrew Carlsson	ICB	4 of 4
Zahra Cassim*	IPFA	2 of 4
Lawrence Chetty <sup>o</sup>	IIA	1 of 1
Robin Dixie (Chairman)	Robin Dixie & Associates	4 of 4
Natercia Faustino	CIMA	4 of 4
Adri Kleinhans <sup>1</sup>	SAICA	1 of 3
Samantha Louis	CIMA	2 of 4
Rishard Mahomed-Habib	CFA	3 of 4
Moin Khan <sup>2</sup>	CFA	2 of 2
Nirri Nair	ACCA	3 of 4
Geoffrey Ngonyama <sup>o</sup>	SAICA	1 of 1
Shirley Olsen	Master Business Services CC	2 of 4
Vashna Rawjee	ATCOR	4 of 4
Bill Shellard	IIA	3 of 4
Wedaad Shira <sup>o</sup>	ICB	1 of 1
Tonia Valis	ACCA	4 of 4
Danie van Niekerk	CFA	4 of 4
Charlene Verzmoter	Accenture	3 of 4

\* Zahra did not attend any meetings but there were IPFA representatives at two meetings

<sup>o</sup> Joined 2/2006

<sup>1</sup> Resigned 2/2006

<sup>2</sup> Joined 10/2005

### Skills Planning Committee

Member	Organisation	Meetings Attended
Daleen Booysen <sup>o</sup>	HCS Consulting	1 of 3
Robert Capper (Chairman)	PricewaterhouseCoopers	4 of 4
Veld Cooper	Veld Cooper & Associates	4 of 4
Eva Cruz <sup>1</sup>	Silica Financial Administration Solutions (Pty) Ltd	1 of 1
Werner de Wet	Norman Bisset & Associates	1 of 4
Anneli du Rand <sup>o</sup>	ICSA	0 of 3
Linda Filtane	Ernst & Young	2 of 4
Audrey Longwe	Deloitte	4 of 4
Dudu Maphanga-Mashapa <sup>1</sup>	Ramathe Fivaz Forensic & Investigating Accounting Services	1 of 1
Neo Mndebele	JSE Limited	3 of 4
Stuart Noble	Financial Training Corporation	3 of 4
Danie van Niekerk <sup>2</sup>	CFA	3 of 3
Charlene Verzmoter	Accenture	4 of 4

<sup>o</sup> Resigned 10/2005

<sup>1</sup> Joined 2/2006

<sup>2</sup> Joined 8/2005

## ACRONYMS

ABASA	Association for the Advancement of Black Accountants of Southern Africa
ABET	Adult Basic Education and Training
ACCA	Association of Chartered Certified Accountants
AsgiISA	Accelerated and Shared Growth Initiative for South Africa
ATR	Annual Training Report
BEE	Black Economic Empowerment
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CFA	Institute of Commercial and Financial Accountants of Southern Africa (now SAIPA)
CIMA	Chartered Institute of Management Accountants
CPE	Continuous Professional Education
DoL	Department of Labour
EE	Employment Equity
EEA	Employment Equity Act of 1998
EPWP	Expanded Public Works Programme
ETQA	Education and Training Quality Assurance
EUPEC	Education Upliftment Project - Eastern Cape
EUPKZN	Education Upliftment Project - KwaZulu-Natal
EUPLIM	Education Upliftment Project - Limpopo
Exco	Executive Committee
Fasset	Seta for Finance, Accounting, Management Consulting and Other Financial Services
FET	Further Education and Training
FSA	Fasset Skills Advisor
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GTH	Guarantee Trust Holdings
HET	Higher Education and Training
ICB	Institute of Certified Bookkeepers
ICSA	South African Institute of Chartered Secretaries and Administrators
IDC	Independent Development Corporation
IIA	Institute of Internal Auditors
IIP	Investors In People
IPFA	Institute for Public Finance and Auditing
IRBA	Independent Regulatory Board for Auditors
ISOE	Institute of Sectoral Excellence
JIPSA	Joint Initiative on Priority Skills Acquisition
JSE	Johannesburg Securities Exchange
LCG	Learnership Cash Grant
MoU	Memorandum of Understanding
NEHAWU	National Education Health and Allied Workers Union
NGO	Non-Governmental Organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDS I	National Skills Development Strategy I (1 April 2000 to 31 March 2005)
NSDS II	National Skills Development Strategy II (1 April 2005 to 31 March 2010)
NSF	National Skills Fund
ORT	Organisation for Resources and Technical Training
PAAB	Public Accountants' and Auditors' Board (now IRBA)
PFMA	Public Finance Management Act (Act No 1 of 1999), as amended
PSA	Public Servants Association
PSETA	Public Services Seta
QAP	Quality Assurance Partner
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants (previously CFA)
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
SMMEs	Small, Medium and Micro Enterprises
SSP	Sector Skills Plan
VAT	Value Added Taxation
WSP	Workplace Skills Plan
Year 2	1 April 2001 to 31 March 2002
Year 5	1 April 2004 to 31 March 2005
Year 6	1 April 2005 to 31 March 2006
Year 7	1 April 2006 to 31 March 2007
Year 9	1 April 2008 to 31 March 2009



Fasset Social Development Project Celebrations and Participants (Year 6)